

Financial Report

The background of the cover is a light, textured surface. A large, semi-circular graphic element in a muted purple color dominates the upper half. Inside this semi-circle, a calculator and a banknote are faintly visible. The calculator is a standard desktop model with a numeric keypad and several function keys. The banknote is partially obscured by the calculator. The overall aesthetic is professional and financial.

Laporan Keuangan

In the foreground, there is a stack of white papers or documents. A white binder or folder is partially visible on the left side, holding some of the papers. The papers appear to be part of a report or a set of documents, with some text and graphics visible on the edges. The lighting is soft, creating a professional and organized look.

PT Duta Pertiwi Tbk and its Subsidiaries

Consolidated Financial Statements
For the Years Ended
December 31, 2002 and 2001

And Independent Auditors' Report

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
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Independent Auditors' Report

No. 064103SA

**The Stockholders, Boards of Commissioners and Directors
PT Duta Pertiwi Tbk**

We have audited the accompanying consolidated balance sheet of PT Duta Pertiwi Tbk and its subsidiaries as of December 31, 2002, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of PT Duta Pertiwi Tbk and its subsidiaries for the year ended December 31, 2001 were audited by other independent auditors whose report, dated April 17, 2002, expressed an unqualified opinion on those consolidated financial statements and included explanatory paragraphs that described the effect of the economic condition in Indonesia has had on the Company and its subsidiaries, as well as management's efforts to restructure the bonds payable which are currently due.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PT Duta Pertiwi Tbk and its subsidiaries as of December 31, 2002, and the results of its operations, changes in its equity and its cash flows for the year then ended in conformity with accounting principles generally accepted in Indonesia.

Note 40 to the consolidated financial statements includes a summary of the effects the economic condition in Indonesia has had on the Company and its subsidiaries, as well as the measures the management of the Company and its subsidiaries have implemented or plan to implement in response to the economic condition, which includes the restructuring of the Company's bonds payable and loans from banks which were received by its subsidiaries. The accompanying consolidated financial statements include the effects of the economic condition to the extent they can be determined and estimated.

Drs. DEDY MULIADI & REKAN

Drs. Dedy Muliadi
Public Accounting License No. 98.1.0092

March 11, 2003

The accompanying consolidated financial statements are not intended to present the financial position and the results of operations, changes in equity and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in Indonesia. The standards, procedures and practices to audit such consolidated financial statements are those generally accepted and applied in Indonesia.

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2002 and 2001

	Notes	2002 Rp	2001 Rp
ASSETS			
Cash and cash equivalents	2c,2d,2e,3,36,37	204.779.450.703	385.549.423.283
Investments	2d,2h,4,36,41	549.493.607.727	446.573.788.000
Trade accounts receivable	2c,2d,2f,5,36,37		
Related parties		2.678.001.381	5.529.391.528
Third parties		102.377.845.306	66.379.577.622
Other accounts receivable	2c,2d,6,36,37,41	8.556.012.677	11.859.138.188
Supplies	2i,41	536.599.030	418.669.958
Inventories - net of allowance for decline in value of Rp 59,041,189,608 in 2002 and Rp 58,741,422,046 in 2001	2d,2g,2u,7,36,41	1.395.237.141.278	1.126.477.021.653
Advances for purchases	8	11.083.775.847	10.446.478.852
Prepaid taxes	2r,9	27.185.075.426	9.408.360.788
Prepaid expenses	2c,2d,2j,10,36,37	2.087.674.278	1.142.590.518
Bond sinking fund	16	8.750.000.000	12.500.000.000
Deferred tax assets	2r,33	6.049.429.809	2.251.650.508
Land for development	2k,11,41	588.439.479.058	865.560.515.624
Property and equipment - net of accumulated depreciation of Rp 142,663,984,484 in 2002 and Rp 114,380,603,659 in 2001	2d,2l,12,36	754.732.196.369	776.634.666.103
Property under build, operate and transfer - net of accumulated depreciation of Rp 1,682,302,624 in 2002 and Rp 1,037,983,685 in 2001	2m,13,38	27.284.871.602	24.249.737.239
Goodwill - net of accumulated amortization of Rp 13,205,598,292 in 2002 and Rp 9,174,447,500 in 2001	2b,2h,14	12.077.229.239	16.108.380.031
Other assets	41	839.087.800	2.681.935.661
TOTAL ASSETS		<u>3.702.187.477.530</u>	<u>3.763.771.325.556</u>

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2002 and 2001 (Continued)

	Notes	2002 Rp	2001 Rp
LIABILITIES AND EQUITY			
Liabilities			
Loans from banks and other financial institutions	2c,2d,15,36,37	298.196.241.016	414.360.419.776
Bonds payable	2d,2p,16,36	499.520.000.000	681.890.633.128
Trade accounts payable to third parties	17	32.134.013.976	21.959.143.464
Taxes payable	2r,18	22.135.523.354	15.349.020.109
Accrued expenses	2c,19,37	126.668.948.398	121.948.269.719
Security deposits	2c,2d,2q,20,36,37,41	49.174.100.601	58.537.618.059
Advances received	2c,2d,21,36,37,41	885.929.334.019	1.068.552.673.958
Deferred tax liabilities	2r,33	45.724.739	49.549.744
Liability for employees' retirement benefits	2o,22	25.648.025.944	10.512.372.946
Other accounts payable	23	86.218.735.171	17.456.242.045
Total Liabilities		2.025.670.647.218	2.410.615.942.948
Minority Interest in Net Assets of the Subsidiaries	2b,24	130.928.559.155	89.554.005.923
Equity			
Capital stock - Rp 500 par value per share			
Authorized - 2,000,000,000 shares in 2002 and 2001			
Subscribed and paid-up - 1,387,500,000 shares in			
2002 and 2001	25	693.750.000.000	693.750.000.000
Additional paid-in capital	26	166.718.750.000	166.718.750.000
Difference due to change in equity of a subsidiary	2h,27	455.934.043	(267.528.000)
Retained earnings		684.663.587.114	403.400.154.685
Total Equity		1.545.588.271.157	1.263.601.376.685
TOTAL LIABILITIES AND EQUITY		3.702.187.477.530	3.763.771.325.556

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
Consolidated Statements of Income
For the Years ended December 31, 2002 and 2001

	Notes	2002 Rp	2001 Rp
REVENUES	2d,2q,28,36	1.618.413.318.355	1.205.068.114.414
COST OF SALES	2q,29	816.108.669.417	633.815.527.985
GROSS PROFIT		802.304.648.938	571.252.586.429
OPERATING EXPENSES	2q,30		
Selling		151.426.697.636	123.515.345.256
General and administrative	2d,2o,22,36	291.273.771.178	203.068.736.343
Total Operating Expenses		442.700.468.814	326.584.081.599
INCOME FROM OPERATIONS		359.604.180.124	244.668.504.830
OTHER INCOME (CHARGES)			
Interest income	2d,31,36	72.636.126.311	57.600.408.479
Interest expense	2d,32,36	(150.370.059.630)	(108.185.948.650)
Gain (loss) on foreign exchange - net	2c	24.766.116.799	(18.344.708.306)
Loss on permanent decline in value of investments in bonds	2h,4	-	(73.100.000.000)
Loss on decline in value of inventories	2g,7	(299.767.562)	(58.741.422.046)
Amortization of:			
Discount on bonds payable	2p,16	(2.018.776.872)	(5.540.177.659)
Goodwill	2b,2h,14	(4.031.150.792)	(1.264.141.380)
Others - net		19.007.246.287	13.296.976.706
Other Charges - net		(40.310.265.459)	(194.279.012.856)
EQUITY IN NET LOSS OF ASSOCIATED COMPANIES	2h,4	(2.466.485.418)	(6.264.000.000)
INCOME BEFORE TAX		316.827.429.247	44.125.491.974
TAX EXPENSE (BENEFIT)	2r,33		
Current		33.946.130.492	21.214.171.112
Deferred		(3.801.604.306)	(2.311.248.612)
		30.144.526.186	18.902.922.500
INCOME FROM ORDINARY ACTIVITIES		286.682.903.061	25.222.569.474
EXTRAORDINARY ITEM	2w,34	35.774.217.089	-
INCOME BEFORE MINORITY INTEREST IN NET (INCOME) LOSS OF THE SUBSIDIARIES		322.457.120.150	25.222.569.474
MINORITY INTEREST IN NET (INCOME) LOSS OF THE SUBSIDIARIES	2b,24	(41.193.687.721)	16.730.011.651
NET INCOME		281.263.432.429	41.952.581.125
BASIC EARNINGS PER SHARE	2s,35		
Net income (excludes extraordinary item)		176,93	30,24
Net income (includes extraordinary item)		202,71	30,24

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the Years Ended December 31, 2002 and 2001

	Notes	Paid-up Capital Stock Rp	Additional Paid-in Capital Rp	Difference Due to Change in Equity of a Subsidiary Rp	Retained Earnings Rp	Total Equity Rp
Balance as of January 1, 2001		693.750.000.000	166.718.750.000	-	361.447.573.560	1.221.916.323.560
Difference due to change in equity of a subsidiary	2h,27	-	-	(267.528.000)	-	(267.528.000)
Net income for the year		-	-	-	41.952.581.125	41.952.581.125
Balance as of December 31, 2001		693.750.000.000	166.718.750.000	(267.528.000)	403.400.154.685	1.263.601.376.685
Difference due to change in equity of a subsidiary	2h,27	-	-	723.462.043	-	723.462.043
Net income for the year		-	-	-	281.263.432.429	281.263.432.429
Balance as of December 31, 2002		693.750.000.000	166.718.750.000	455.934.043	684.663.587.114	1.545.588.271.157

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial stateme

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2002 and 2001

	2002	2001
	Rp	Rp
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1.592.674.138.336	1.702.919.422.912
Cash paid to contractors, suppliers and others	(711.989.227.117)	(633.385.195.971)
Cash paid to employees	(105.386.337.045)	(58.274.195.875)
Other payments for operations	(505.045.162.463)	(346.669.681.182)
Cash generated from operations	270.253.411.711	664.590.349.884
Income tax paid	(27.398.004.199)	(27.355.292.183)
Net Cash Provided by Operating Activities	242.855.407.512	637.235.057.701
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	82.138.649.224	39.954.063.447
Decrease (increase) in investments in shares of stock	55.103.349.000	(1.999.000.000)
Placement of investments in time deposits	(951.387.591)	-
Acquisitions of property and equipment	(10.057.324.618)	(2.789.211.242)
Proceeds from sale of property and equipment	617.260.500	-
Acquisitions of land	(2.699.981.842)	(3.029.780.387)
Net Cash Provided by Investing Activities	124.150.564.673	32.136.071.818
CASH FLOWS FROM FINANCING ACTIVITIES		
Withdrawal from (deposits in) bond sinking fund	3.750.000.000	(1.880.000.000)
Payment of bonds payable	(242.405.000.000)	(94.850.000.000)
Payment of loans from banks and other financial institutions	(141.288.108.080)	(375.107.551.007)
Interest paid	(157.604.254.699)	(162.605.157.576)
Net Cash Used in Financing Activities	(537.547.362.779)	(634.442.708.583)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(170.541.390.594)	34.928.420.936
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	385.549.423.283	348.606.556.580
Effect of foreign exchange rate changes	(10.228.581.986)	2.014.445.767
CASH AND CASH EQUIVALENTS AT END OF YEAR	204.779.450.703	385.549.423.283
SUPPLEMENTAL DISCLOSURES		
Noncash investing and financing activities:		
Extraordinary gain on loan restructuring	35.774.217.089	-
Net interest expense capitalized to land for development	4.567.871.368	24.338.757.091
Net interest expense capitalized to real estate inventories	3.465.110.850	63.629.536.512
Reclassification of property and equipment to real estate inventories	3.370.836.344	-
Reclassification of advances for purchases to property and equipment	506.195.319	-
Difference due to change in equity of a subsidiary	455.934.043	(267.528.000)
Property and equipment written-off	46.304.530	-
Reclassification of real estate inventories to property and equipment	-	569.918.569.684
Gain on foreign exchange difference capitalized to real estate inventories	-	3.155.094.367

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2002 and 2001 and for the Years then Ended

1. General

a. Establishment and General Information

PT Duta Pertiwi Tbk (the Company or the Parent Company) was established based on Notarial Deed No. 237 dated December 29, 1972 of Mohamad Said Tadjoedin, S.H., notary in Jakarta. The deed of establishment was approved by the Minister of Justice of the Republic of Indonesia in his Decision Letter No. Y.A.5/116/20 dated May 4, 1973. The Company's articles of association have been amended several times, most recently by Notarial Deed No. 42 dated July 25, 1998 of Adam Kasdarmadji, S.H., notary in Jakarta, concerning the amendment of the entire articles of association to conform with the decision letter issued by the Chairman of the Capital Market Supervisory Agency (Bapepam). This amendment was approved by the Minister of Justice of the Republic of Indonesia in his Decision Letter No. 119.1/BH-09-01/IV/1999 dated April 5, 1999. The Company's articles of association have been amended to conform with the Corporate Law No. 1 of 1995, the law on Limited Liability Companies.

The Company is domiciled in Jakarta and its real estate projects, namely, International Trade Center (ITC) Mangga Dua Shopping Center, Mangga Dua Ruko, Dusit Arcade, Mangga Dua Mall, Mangga Dua Court Apartment, Wisma Eka Jiwa, Taman Duta Mas housing complex, Mega ITC Cempaka Mas, Duta Mas Fatmawati, Roxy Mas Ruko, ITC Fatmawati, Harcomas Mangga Dua, ITC Roxy Mas and Apartment and Roxy II are located in Jakarta, while the Mangga Dua Surabaya shopping center is located in Surabaya. The Company's head office is located at JITC Mangga Dua building, 8th Floor, Jalan Mangga Dua Raya, Jakarta.

In accordance with article 3 of the Company's articles of association, the scope of its activities is mainly to engage in construction, real estate development, and general trading. The Company started commercial operations in real estate business on October 1, 1988. Previously, the Company was engaged in construction business.

b. Public Offering of the Company's Shares and Bonds

On September 26, 1994, the Company obtained the Notice of Effectivity of Share Registration from the Chairman of Bapepam No.S-1665/PM/1994 for its public offering of 25,000,000 shares with Rp 1,000 par value per share at an offering price of Rp 3,150 per share. These shares were listed in the Jakarta and Surabaya stock exchanges on November 2, 1994.

On March 24, 1997, the Company obtained the Notice of Effectivity from the Chairman of Bapepam No. S-447/PM/1997 for its limited public offering with preemptive rights of 693,750,000 shares through rights issue to stockholders. These shares were listed in the Jakarta and Surabaya stock exchanges on April 15, 1997.

As of December 31, 2002 and 2001, all of the Company's outstanding shares totaling 1,387,500,000 shares have been listed in the Jakarta and Surabaya stock exchanges.

As discussed in Note 16, in 1997, the Company issued Duta Pertiwi I (DUTI) bonds, Duta Pertiwi II (DP II) bonds and Duta Pertiwi III (DP III) bonds which have been listed in the Surabaya Stock Exchange.

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2002 and 2001 and for the Years then Ended

1. General (Continued)

c. The Boards of Commissioners and Directors and Employees

The Company is one of the companies under the PT Paraga Artamida group. As of December 31, 2002, the composition of the Company's Board of Commissioners and Board of Directors are as follows:

President Commissioner	:	Teguh Ganda Wijaya
Vice President Commissioner	:	Indra Widjaja
Commissioners	:	Arthur Tahya
		Joseph Jo Liat Tjiang
		Samuel Bonsayang
		Simon Lim
President Director	:	Muktar Widjaja
Vice President Director	:	Franky Oesman Widjaja
Directors	:	Glen Hendra Gunadirdja
		Harry Budi Hartanto
		Iskandar Hartono
		John Ferdy Pandelaki
		Julius Kajo
		Stevanus Hartono
		Welly Setiawan Prawoko

The Company had an average total number of employees of 1,562 in 2002 and 1,452 in 2001.

d. Consolidated Subsidiaries

The Company has ownership interest of more than 50% in the following subsidiaries which are engaged in real estate, property, hotel and information technology businesses:

Subsidiary	Domicile	Nature of Business	Start of Commercial Operations	Percentage of Ownership
PT Mustika Karya Sejati	Jakarta	Real estate	1994	100%
PT Pangeran Plaza Utama	Cipanas	Real estate	1994	100%
PT Saranapapan Ekasejati	Cipanas	Real estate	1994	100%
PT Sinarwisata Permai	Balikpapan	Hotel	1994	100%
PT Perwita Margasakti	Jakarta	Apartment and shopping center	1995	100%
PT Sinarwisata Lestari	Jakarta	Hotel	1996	100%
PT Misaya Properindo	Cibubur	Real estate	1999	100%
PT Kurnia Subur Permai	Cibubur	Real estate	Development stage	100%
PT Prestasi Mahkota Utama	Bekasi	Real estate	Development stage	100%
PT Duta Virtual Dot Com	Jakarta	Information technology	2000	99%
PT Royal Oriental Limited	Jakarta	Office space	1997	80%
PT Sinarwijaya Ekapratista	Tangerang	Real estate	1991	60%

2. Summary of Significant Accounting Policies

a. Basis of Consolidated Financial Statement Presentation and Measurement

The consolidated financial statements have been prepared using accounting principles and reporting practices generally accepted in Indonesia, such as the Statements of Financial Accounting Standards (PSAK) and the regulations of the Capital Market Supervisory Agency (Bapepam). Such consolidated financial statements are an English translation of the Company and its subsidiaries' statutory report in Indonesia, and are not intended to present the financial position and the results of operations, changes in equity and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

The measurement basis used in the consolidated financial statements is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies, such as investments in debt securities and mutual fund which are stated at fair value and inventories which are stated at the lower of cost or net realizable value. The consolidated financial statements are prepared under the accrual basis of accounting, except for the consolidated statements of cash flows.

The consolidated statements of cash flows are prepared using the direct method with classifications of cash flows into operating, investing and financing activities.

The reporting currency used in the preparation of the consolidated financial statements is the Indonesian Rupiah (Rp).

b. Principles of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries, wherein the Company has direct or indirect ownership interest of more than 50%.

When an entity either began or ceased to be controlled during the year, the results of the subsidiaries' operations of that entity are included in the consolidated financial statements only from the date that the control commenced up to the date that the control ceased.

Control on a subsidiary is presumed to exist when more than 50% of a subsidiary's voting power is controlled by the Company; or the Company is able to govern the financial and operating policies of a subsidiary; or control the removal or appointment of the majority of the subsidiary's board of directors.

Intercompany balances and transactions, including unrealized gains or losses on significant intercompany transactions are eliminated to reflect the financial position and the results of operations of the Company and its subsidiaries as one business entity.

The consolidated financial statements are prepared using uniform accounting policy for like transactions and events in similar circumstances. If a subsidiary's financial statements uses accounting policies other than those adopted in the consolidated financial statements, appropriate adjustments are made to its financial statements.

Minority interest in the subsidiary's net income and equity is presented based on the percentage of ownership of the minority stockholders in the subsidiary.

2. Summary of Significant Accounting Policies (Continued)

b. Principles of Consolidation (Continued)

The losses applicable to the minority stockholders in a consolidated subsidiary may exceed the minority stockholders' interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority are charged against the majority interest, except to the extent that the minority has a binding obligation to, and is able to, absorb such losses and the minority stockholders can settle their obligations. If the subsidiary subsequently reports profits, such profits shall be allocated to the majority stockholders up to the amount of the minority stockholders' share in losses previously absorbed by the majority which has been recovered.

The excess of acquisition cost over the Company's interest in the fair value of the net assets of the subsidiary is recorded as goodwill and is amortized using the straight-line method over twenty years.

The changes in value of the investments, due to changes in equity of the subsidiaries or associated companies arising from capital transactions of such subsidiaries or associated companies with other parties, are recognized in equity as "Difference due to change in equity of the subsidiaries or associated companies", and is recognized as income or expense upon disposal of such investments.

c. Foreign Currency Transactions and Balances

Transactions during the year involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to reflect the following rates of exchange prevailing at that date:

<u>Foreign currencies</u>	<u>2002</u>	<u>2001</u>
	Rp	Rp
US\$ 1	8,940	10,400
¥ 1	75.40	79.15

The resulting gains or losses are credited or charged to the consolidated statements of income of the current period, except for those related to the development of real estate projects, which are capitalized to the real estate inventories and land for development.

d. Transactions with Related Parties

Related parties consist of the following:

- 1) companies that, directly or indirectly, through one or more intermediaries, control, or are controlled by, or are under common control with the Company (including holding companies, subsidiaries and fellow subsidiaries);
- 2) associated companies;
- 3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close family members of such individuals (close family members are those who can influence or can be influenced by such individuals in their transactions with the Company);

2. Summary of Significant Accounting Policies (Continued)

d. Transactions with Related Parties (Continued)

- 4) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including commissioners, directors and managers of the Company and close family members of such individuals; and
- 5) companies in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (3) or (4), or over which such person is able to exercise significant influence. This includes companies owned by commissioners, directors or major stockholders of the Company and companies that have a common member of key management with that of the Company.

All transactions with related parties, whether or not done under similar terms and conditions as those done with third parties, are disclosed in the consolidated financial statements.

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and in banks and all investments with maturities of three months or less from the date of placement, which are not used as collateral and are not restricted.

f. Allowance for doubtful accounts

Allowance for doubtful accounts is provided based on a review of the status of the individual receivable accounts at the end of the year.

g. Inventories

1. Real Estate Inventories

Real estate inventories consist of land and buildings (houses, shophouses and buildings with strata title) ready for sale, buildings (houses, shophouses and buildings with strata title) under construction, and land under development which are stated at the lower of cost or net realizable value.

The cost of land under development consists of the cost of land for development, direct and indirect costs related to the development of real estate inventories and borrowing costs (interest and foreign currency exchange difference). Land under development is transferred to buildings under construction when land development is completed or to land when it is ready for sale, based on the area of saleable lots.

The cost of land development, including land used for roads and amenities and other non-saleable areas, is allocated based on the saleable area of the project.

The cost of buildings under construction consists of the cost of completed land under development, construction costs and borrowing costs, and is transferred to land and buildings ready for sale when the development of land and construction of buildings are completed. Cost is determined using the specific identification method.

Borrowing costs relating to debts obtained to finance project development are capitalized to project development. If the borrowing is only used for acquisition of real estate inventories, all borrowing costs during the term of borrowing are capitalized. Capitalization of these costs will cease when the project is substantially completed and ready for its intended use.

2. Summary of Significant Accounting Policies (Continued)

g. Inventories (Continued)

Although the future revenues that might be generated by the Company and its subsidiaries are lower than the recorded value of the project, the Company and its subsidiaries continue to capitalize and accumulate these project costs. However, a provision for decline in inventory value is recognized periodically on the difference. The amount of provision is deducted from the project's recorded value and is charged to the consolidated statements of income of the current year.

Cost estimates and allocation are reviewed at the end of every reporting period until the project is substantially completed. If there are any basic changes, the Company and its subsidiaries will perform revision and costs reallocation.

Costs which are not related to real estate project are expensed when incurred.

2. Hotel Inventories

Hotel inventories are stated at the lower of cost or net realizable value. Cost is determined using the weighted average method.

h. Investments

- 1) *Time deposits* with maturities of three months or less from the date of placement which are used as collateral or are restricted, and time deposits with maturities of more than three months from the date of placement, is presented as investments. Time deposit is stated at cost.

- 2) *Investments in securities for which fair value is readily available*

Investments for securities for which fair value is readily available consist of debt securities and equity securities, classified into three categories as follows:

a) **Trading**

Securities purchased and owned for resale in the near future shall be classified under the "trading" category. Securities in the trading category usually show a very high frequency of purchases and sales. These securities are owned with the objective of obtaining profit from short term price differences. Investments in trading securities are stated at fair value. Unrealized gains or losses from the increase or decrease in fair value are reflected in the current years' operations.

b) **Held-to-maturity**

Investments in debt securities which are held-to-maturity are stated at cost, adjusted for the unamortized premium or discount.

c) **Available-for-sale**

Securities which are not classified under either the "trading" or "held-to-maturity" categories are classified under the "available-for-sale" category, and are stated at fair value. Unrealized gains or losses from the increase or decrease in fair value are recorded as part of equity.

2. Summary of Significant Accounting Policies (Continued)

h. Investments (Continued)

If the decline in fair value is other than temporary, the cost basis of the individual security shall be written down to its fair value as a new cost basis, and the amount of write-down is recognized in the current year's operations.

For the computation of realized gains or losses, cost of equity securities is determined using the weighted-average method, while cost of held-to-maturity debt securities is determined using the specific identification method. Allowance for decline in value is presented as a deduction from the outstanding balance of investments in securities.

3) *Long term investments in shares of stock for which fair value is not readily available*

Investments in shares of stock with ownership interest of less than 20% are accounted for using the cost method.

Investments in shares of stock with ownership interest of 20% to 50%, directly or indirectly owned, are accounted for using the equity method whereby the Company's proportionate share in the income or loss of the associated company after the date of acquisition is added to or deducted from, and the dividends received are deducted from, the acquisition cost of the investments. Equity in net income or losses is adjusted for the straight-line amortization of goodwill over twenty years.

Under the equity method, if an investor's share of losses in an associate equals or exceeds the carrying amount of an investment, the investment is reported at nil value. Additional losses will be accrued by the investor if a liability has arisen or if the associate's liabilities are guaranteed by the investor. If the associate subsequently reports profits, the investor will recognize income only after its share of the profits equals the share of net losses not recognized.

If the decline in fair value is other than temporary, the carrying amount of the investments is written down to recognize a permanent decline in value of the individual investments which is charged directly to current year's operations.

When an associated company (under equity method) sells its stocks to third parties at a price different from its book value, the net investment or equity in the associated company will be affected. The Company should recognize the difference from the Company's equity in the associated company as "Difference due to changes in equity of the associated companies" account, as a component of equity.

i. Supplies

This consists of building maintenance supplies and are stated at cost.

j. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

2. Summary of Significant Accounting Policies (Continued)

k. Land for Development

Land for development is stated at cost or net realizable value, whichever is lower.

The cost of land for development consists of pre-operating expenses, land acquisition cost, and borrowing cost, and is transferred to land under development when the development of land has started or transferred to buildings under construction when the land is ready for development.

Borrowing costs relating to debts obtained to finance the acquisition of land is capitalized. If the borrowing is only used for land acquisition, all borrowing costs during the term of the borrowing are capitalized. Capitalization of these costs will cease when project development is substantially completed and ready for its intended use.

l. Property and Equipment

Property and equipment are stated at costs, less accumulated depreciation.

All property and equipment, except for land, are depreciated using the straight-line method based on the estimated useful lives of the property and equipment as follows:

	<u>Years</u>
Buildings	20 – 30
Building improvements	5
Leasehold improvements	5
Furniture and fixtures	5
Transportation equipment	5

Land is stated at cost and is not depreciated.

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its estimated recoverable amount, which is determined as the higher of net selling price or value in use.

The cost of repairs and maintenance is charged to operations as incurred; expenditures which extend the useful life of the asset or result in increased future economic benefits are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are removed from the accounts. Any resulting gain or loss is reflected in the current year's operations.

m. Property Under Build, Operate and Transfer (BOT)

Property under BOT are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over a period ranging from 20 to 30 years.

n. Reserve for Replacement of Hotel's Furniture, Fixtures and Equipment

Before 2002, reserve for replacement of hotel's furniture, fixtures and equipment is provided based on 3% of gross hotel revenues.

Starting 2002, the Company does not provide any reserve in accordance with management's policy.

2. Summary of Significant Accounting Policies (Continued)

o. Employees' Retirement Benefits

The Company and its subsidiaries record estimated employees' retirement benefits for all its local permanent employees. Current service cost is charged to operations in the current period.

p. Bonds Issuance Costs

Bonds issuance costs are deducted directly from the proceeds of the related bonds to determine the net proceeds of the bonds. Differences between the net proceeds and nominal values represent discounts or premiums which are amortized using the straight-line method over the term of the bonds.

q. Revenue and Expense Recognition

Revenues from sale of real estate are recognized based on the Statement of Financial Accounting Standards (PSAK) No. 44, "Accounting for Real Estate Development Activities".

Revenue from sale of houses, shophouses and other similar buildings is recognized based on the full accrual method when all of the following conditions are met:

- the sale is consummated;
- sales price is collectible, wherein the amount already paid by the customer has reached 20% of the sales price;
- the seller's receivable is not subject to future subordination; and
- the seller has transferred to the buyer the risks and rewards of ownership in a transaction that is in substance a sale and does not have a substantial continuing involvement with the property.

Revenue from retail sale of land without building thereon is recognized based on the full accrual method when all of the following conditions are met:

- cumulative payments equal to or exceed 20% of the agreed sales price and the refund period has expired;
- sales price is collectible;
- the seller's receivable is not subject to future subordination;
- development of the land is completed wherein the seller is not obligated to complete improvements of lots sold or to construct amenities or other facilities applicable to lots sold; and
- only lots are sold and the seller is not obligated to construct buildings thereon.

Revenue from sale of condominium, apartments, office spaces, shopping centers and other similar buildings, including units of time-sharing ownership, is recognized using the percentage-of-completion method when all of the following conditions are met:

- the construction process has progressed beyond the preliminary stage, or at least the foundation of the building has been completed;
- cumulative payments equal to or exceed 20% of the agreed sales price and the refund period has expired; and
- all revenues and costs can be reasonably estimated.

If any of the above conditions is not met, all payments received from the buyers are recorded as advances received using the deposit method, until all of the conditions are met.

2. Summary of Significant Accounting Policies (Continued)

q. Revenue and Expense Recognition (Continued)

The level of completion of a real estate development activity can be determined in proportion to the costs incurred up to a certain date relative to the total estimated cost of the real estate development.

Rental revenue is recognized over the term of the lease contract, while service revenue is recognized when services are rendered to the customers.

Hotel room revenue is recognized based on room occupancy, while other hotel revenues are recognized when goods are delivered or when services are rendered to the customers.

Club membership revenue is recognized based on the membership period.

Expenses are recognized when incurred.

r. Income Tax

- **Final Income Tax**

Based on Government Regulation No. 29 dated April 18, 1996, rental revenue is subject to a final tax of 6%. The Government Regulation No. 29 has been amended by the Government Regulation No. 5 dated March 23, 2002, which stated that rental revenue is subject to a final tax of 10%, effective May 1, 2002.

The differences between the financial statement carrying amounts of existing assets and liabilities and their respective final tax bases are not recognized as deferred tax assets or liabilities.

Final income tax expense is recognized in proportion to the income recognized in the current year.

The difference between the final income tax paid and the current tax expense in the consolidated statements of income is recognized as prepaid taxes or taxes payable.

- **Nonfinal Income Tax**

Current tax expense is determined based on the taxable income for the year computed using prevailing tax rates.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the consolidated statements of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

2. Summary of Significant Accounting Policies (Continued)

r. Income Tax (Continued)

Deferred tax assets and liabilities are offset in the consolidated balance sheets, except if these are for different legal entities, in the same manner the current tax assets and liabilities are presented.

s. Earnings per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the year.

t. Segment Information

Segment information is prepared using the accounting policies adopted for preparing and presenting the consolidated financial statements. The primary reporting segment information is based on business segments, while secondary segment information is based on geographical segments.

A business segment is a distinguishable component of the Company and its subsidiaries that is engaged in providing different products or services based on industry distribution or, both an individual product or service, primarily to customers outside the Company and its subsidiaries.

A geographical segment is a distinguishable component of the Company and its subsidiaries that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those components operating in other economic environments.

u. Impairment of Assets

Based on the PSAK No. 48, on "Impairment of Assets", the Company and its subsidiaries should assess at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company and its subsidiaries should estimate the recoverable amount of the asset. The reversal of an impairment loss is recognized whenever there is indication that the asset is not impaired anymore. The amount of impairment (reversal of impairment) losses are recognized in the current year's operations.

v. Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

w. Debt Restructuring

A gain from debt restructuring, net of related corporate income tax and any contingent liability as a result of the debt restructuring, is recognized and classified as an extraordinary item in the consolidated statements of income in the year of restructuring.

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
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3. Cash and Cash Equivalents

	2002	2001
	Rp	Rp
Cash on hand	<u>1,539,738,000</u>	<u>1,343,688,000</u>
Cash in banks		
Related parties (Note 36):		
Rupiah		
PT Bank Internasional Indonesia Tbk (BII)	-	9,688,201,096
U.S. Dollar		
PT Bank Internasional Indonesia Tbk (BII)	-	102,532,658
Subtotal	<u>-</u>	<u>9,790,733,754</u>
Third parties:		
Rupiah		
PT Bank Central Asia Tbk (BCA)	11,077,456,872	7,894,978,849
PT Bank Internasional Indonesia Tbk (BII)	10,187,664,358	-
PT Bank NISP Tbk (NISP)	3,428,362,877	2,459,197,551
PT Bank Danamon Tbk (BD)	2,692,756,748	1,390,231,286
PT Bank Rakyat Indonesia (Persero) (BRI)	1,440,305,350	3,199,415,289
PT Bank Negara Indonesia Tbk (BNI)	1,153,044,952	1,927,107,540
PT Bank Mega Tbk (MEGA)	555,969,662	-
PT Bank Mandiri (Persero) (BM)	396,475,819	72,183,579
PT Bank Tabungan Negara (Persero) (BTN)	263,415,294	907,618,068
PT Bank Lippo Tbk (Lippo)	190,333,972	553,564,502
PT Bank Mizuho Indonesia (BMI)	99,773,318	98,721,182
PT Bank Panin (Panin)	39,281,026	249,860,332
The Development Bank of Singapore Ltd		
- Indonesia (DBS)	21,623,329	21,875,329
PT Bank Permata Tbk (formerly Bank		
Universal Tbk)	3,818,207	4,134,971
PT Bank Tamara (Bank Danamon)	-	8,370,144
Subtotal	<u>31,550,281,784</u>	<u>18,787,258,622</u>
U.S. Dollar		
BII	2,125,039,890	-
NISP	560,715,002	124,105,381
BCA	544,851,334	513,703,872
BNI	206,748,115	128,447,364
BMI	162,497,821	294,302,112
Lippo	41,765,177	49,049,832
BD	14,930,589	11,015,784
DBS	5,659,199	7,288,736
BM	-	15,334,383
Subtotal	<u>3,662,207,127</u>	<u>1,143,247,464</u>
Japanese Yen		
BCA	<u>50,643,792</u>	<u>5,018,242,005</u>

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
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3. Cash and Cash Equivalents (Continued)

	2002 Rp	2001 Rp
Time deposits		
Related parties (Note 36):		
Rupiah		
BII	-	7,600,000,000
U.S. Dollar		
Asia Food and Properties International Finance Ltd. (AFPIF)	-	29,540,200,248
Subtotal	-	37,140,200,248
Third parties:		
Rupiah		
BNI	47,865,000,000	117,701,100,000
BCA	39,260,000,000	62,446,953,190
NISP	8,750,000,000	7,150,000,000
BMI	6,160,000,000	470,000,000
BII	4,950,000,000	-
BM	3,400,000,000	3,400,000,000
MEGA	1,500,000,000	-
BTN	154,000,000	-
Panin	-	50,000,000
Subtotal	112,039,000,000	191,218,053,190
U.S. Dollar		
BCA	30,181,440,000	61,162,400,000
BNI	18,863,400,000	58,032,000,000
BII	6,892,740,000	-
BMI	-	1,393,600,000
BD	-	520,000,000
Subtotal	55,937,580,000	121,108,000,000
Total Cash and Cash Equivalents	204,779,450,703	385,549,423,283
Interest rate per annum on time deposits:		
Rupiah	11.00% - 17.88%	9% - 17.88%
U.S. Dollar	1.84% - 5.03%	2.27% - 6.84%

As of December 31, 2001, current accounts and time deposits placed with PT Bank Internasional Indonesia Tbk and Asia Food and Properties International Finance Ltd. were considered as transactions with related parties which were done under similar interest rate, terms and conditions as those done with third parties. In 2002, PT Bank Internasional Indonesia Tbk is no longer considered as a related party.

Cash in banks in foreign currencies amounted to US\$ 409,643 and ¥ 671,702, as of December 31, 2002, and US\$ 119,787 and ¥ 63,401,667 as of December 31, 2001. As of December 31, 2002 and 2001, time deposits in foreign currency amounted to US\$ 6,257,000 and US\$ 14,485,403, respectively.

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
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4. Investments

This account consists of:

a. Time Deposits

i. PT Bank Central Asia Tbk (BCA)

As of December 31, 2002, the Company has placements of time deposit with BCA amounting to Rp 44,000,000,000, with interest rate of 12% per annum and which were used to secure the subsidiaries' loans from BCA totaling Rp 44,000,000,000 (Note 15).

ii. PT Bank NISP Tbk (NISP)

As of December 31, 2002, PT Misaya Properindo, a subsidiary, has placements of time deposit with NISP amounting to Rp 328,600,000, with interest rate of 13% per annum.

Based on the Credit Channeling Agreement for Housing between the subsidiary and NISP, for each credit approval, 20% of the credit drawdown should be placed in time deposit until the development of houses/shophouses is completed.

iii. PT Bank Danamon Tbk (Danamon)

As of December 31, 2002, PT Saranapapan Ekasejati, a subsidiary, has placements of time deposit with Danamon amounting to Rp 622,787,591, with interest rate of 12.5% per annum.

Based on the Credit Channeling Agreement for Housing between the subsidiary and Danamon, for each credit approval, 30% of the credit drawdown should be placed in time deposit. 25% of the time deposit will be refunded when the percentage of completion of the project has reached 50%, and the remaining 5% of the time deposit will be refunded by the subsidiary when the sale and purchase agreement covering the transaction was already signed.

b. Investments in Securities

Investments in securities are classified based on the Company and its subsidiaries' intention in holding the investments. All investments in securities are in Rupiah currency. The details of investments in securities at balance sheet dates are as follows:

	2002 Rp	2001 Rp
Related parties (Notes 36):		
Available-for-sale		
Bonds		
PT Indah Kiat Pulp & Paper Tbk (IKPP) B1	67,500,000,000	67,500,000,000
PT Indah Kiat Pulp & Paper Tbk (IKPP) C1	85,500,000,000	85,500,000,000
Subtotal	153,000,000,000	153,000,000,000
Mutual fund - Reksa Dana Simas Satu	2,000,000,000	2,000,000,000
Total	155,000,000,000	155,000,000,000
Add (deduct):		
Net unrealized gain on increase in fair value	569,917,554	135,000,000
Permanent decline in fair value	(73,100,000,000)	(73,100,000,000)
Net	82,469,917,554	82,035,000,000

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
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4. Investments (Continued)

b. Investment in Securities (Continued)

	2002	2001
Interest rate of bonds per annum:		
IKPP B1	18.05% - 19.99%	15.62% - 19.09%
IKPP C1	16.00% - 16.94%	14.62% - 15.75%

IKPP B1 and C1 bonds will mature on October 14, 2004, with floating interest rate based on the average rate of the 6 months JIBOR plus a fixed premium of 2% per annum for IKPP B1 bonds, and a floating rate based on the average rate of the 6 months time deposit in Rupiah from four banks consisting of PT Bank Negara Indonesia Tbk, PT Bank Mandiri (Persero), PT Bank Danamon Tbk, and PT Bank Central Asia Tbk, plus a fixed premium of 2.5% per annum for IKPP C1 bonds. The interests on IKPP B1 and C1 bonds are payable on a quarterly basis. These bonds were used as collateral for the syndicated loan obtained from PT Bank Mizuho Indonesia (Note 15).

As of December 31, 2002, based on the ranking made by PT Pemeringkat Efek Indonesia (Pefindo), the IKPP B1 and C1 bonds were ranked as idD.

As of December 31, 2002, the fair value of the bonds is determined based on its market value.

As of December 31, 2001, the Company's management has recognized a permanent decline in value of the IKPP B1 and C1 bonds amounting to Rp 32,250,000,000 and Rp 40,850,000,000, respectively, based on the rating from Pefindo and its market value.

Investment in mutual fund of Reksa Dana Simas Satu is a placement in which the Company acts as the sponsor, PT Sinar Mas Sekuritas as the investment manager and PT Bank Niaga Tbk as custodian. Return on investment for the last year is 16.80%. As of December 31, 2002, the investment in mutual fund has 2,083,060.49 units with a market value of Rp 1,233.722 per unit.

c. Investments in Shares of Stock

a. Investments in associated companies under the equity method are as follows:

Associated Company	Percentage of Ownership	January 1, 2002	Changes during 2002			December 31, 2002
			Additions to Investments	Equity in Net Loss	Dividends Received	
	%	Rp	Rp	Rp	Rp	Rp
PT Matra Olahcipta	50%	-	60,000,000,000	(2,466,485,418)	-	57,533,514,582
PT Dutakarya Propertindo	50%	-	-	-	-	-
PT BKS Pasar Pagi - ITC Mangga Dua	40%	2,400,000,000	-	-	-	2,400,000,000
PT Anekagriya Buminusa	29%	-	-	-	-	-
PT Kanaka Grahaasri	29%	-	-	-	-	-
PT Mekanusa Cipta	29%	-	-	-	-	-
PT Prima Sehati	29%	-	-	-	-	-
PT Putra Prabukarya	29%	-	-	-	-	-
Total		2,400,000,000	60,000,000,000	(2,466,485,418)	-	59,933,514,582

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4. Investments (Continued)

c. Investments in Shares of Stock (Continued)

Associated Company	Percentage of Ownership	January 1, 2001	Changes during 2001			December 31, 2001
			Additions to Investments	Equity in Net Loss	Dividends Received	
	%	Rp	Rp	Rp	Rp	Rp
PT Dutakarya Propertindo	50%	-	-	-	-	-
PT BKS Pasar Pagi - ITC Mangga Dua	40%	-	2,400,000,000	-	-	2,400,000,000
PT Anekagriya Buminusa	29%	-	-	-	-	-
PT Kanaka Grahaasri	29%	-	-	-	-	-
PT Mekanusa Cipta	29%	-	-	-	-	-
PT Prima Sehati	29%	4,524,000,000	-	(4,524,000,000)	-	-
PT Putra Prabukarya	29%	1,740,000,000	-	(1,740,000,000)	-	-
Total		6,264,000,000	2,400,000,000	(6,264,000,000)	-	2,400,000,000

b. Investments in shares of stock under the cost method are as follows:

Associated Company	Percentage of Ownership	January 1, 2002	Changes during 2002		December 31, 2002
			Additions	Deductions	
	%	Rp	Rp	Rp	Rp
PT Kanaka Grahaasri	19.75%	21,485,836,000	-	-	21,485,836,000
PT Anekagriya Buminusa	19.16%	51,711,504,000	-	-	51,711,504,000
PT Mekanusa Cipta	19.11%	203,769,824,000	-	-	203,769,824,000
PT Putra Prabukarya	18.48%	4,090,412,000	-	-	4,090,412,000
PT Prima Sehati	18.47%	81,081,212,000	-	-	81,081,212,000
Total		362,138,788,000	-	-	362,138,788,000

Associated Company	Percentage of Ownership	January 1, 2001	Changes during 2001		December 31, 2001
			Additions	Deductions	
	%	Rp	Rp	Rp	Rp
PT Kanaka Grahaasri	19.75%	-	21,485,836,000	-	21,485,836,000
PT Anekagriya Buminusa	19.16%	-	51,711,504,000	-	51,711,504,000
PT Mekanusa Cipta	19.11%	-	203,769,824,000	-	203,769,824,000
PT Putra Prabukarya	18.48%	-	4,090,412,000	-	4,090,412,000
PT Prima Sehati	18.47%	-	81,081,212,000	-	81,081,212,000
Smart Virtual Dot Com	1.00%	1,000,000	-	1,000,000	-
Total		1,000,000	362,138,788,000	1,000,000	362,138,788,000

As of December 31, 2002, PT Dutakarya Propertindo, PT Anekagriya Buminusa, PT Kanaka Grahaasri, PT Mekanusa Cipta, PT Prima Sehati, and PT Putra Prabukarya have capital deficiencies. The Company's share in net losses of these associated companies has already exceeded the carrying amount of the investments, thus, the investments in common stocks in these associated companies have been reduced to zero, in accordance with PSAK No.15, on "Accounting for Investments in Associates". If these associated companies subsequently report net income, the Company will recognize its equity share in the net income of such associated companies after its share in the net income equals the share of net losses not recognized.

The investments in shares of stock of PT Anekagriya Buminusa, PT Kanaka Grahaasri, PT Mekanusa Cipta, PT Putra Prabukarya, and PT Prima Sehati were obtained by the Company through the conversion of its working capital loans granted to such companies into preferred stocks without voting rights, based on the General Stockholders' meeting of the associated companies dated January 15, 2001, which was notarized based on notarial deeds No. 9,10,11,12 and 13, respectively, of P. Sutrisno A. Tampubolon, S.H., notary in Jakarta.

PT DUTA PERTIWI Tbk AND ITS SUBSIDIARIES
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4. Investments (Continued)

c. Investments in Shares of Stock (Continued)

The Company did not provide any decline in value of the aforementioned investments in preferred shares of the above associated companies since management believes that these companies have long-term growth potential, since most of these associated companies are engaged in the real estate business. Further, in 2001, these associated companies have started to generate revenues and have reported net income.

The investments in the above associated companies are held primarily for long-term purposes, since most of the associated companies are engaged in the real estate business similar to the Company.

5. Trade Accounts Receivable

	2002 Rp	2001 Rp
Related parties (Note 36):		
PT Tapan Nadenggan	861,319,477	698,952,517
PT Aldiracita Corpotama	429,121,350	-
PT Praisindo Dotkom	315,332,036	251,220,816
PT Sinar Mas Agro Resources & Technology Tbk (SMART)	238,899,109	37,291,823
PT Indah Kiat Pulp & Paper Tbk	201,761,211	143,505,657
PT Triharpindo Mandiri	190,026,150	-
PT Pabrik Kertas Tjiwi Kimia Tbk	184,448,410	1,250,098,252
PT Bank Internasional Indonesia Tbk	-	2,522,887,705
Others (below Rp 100 million each)	257,093,638	625,434,758
Subtotal	<u>2,678,001,381</u>	<u>5,529,391,528</u>
Third parties:		
Land and buildings with strata title	93,252,078,005	58,905,805,056
Land, houses and shophouses	136,993,561	1,026,051,203
Rental	2,180,354,958	1,950,538,827
Room, food and beverages, and others	6,808,418,782	4,497,182,536
Subtotal	<u>102,377,845,306</u>	<u>66,379,577,622</u>
Total	<u><u>105,055,846,687</u></u>	<u><u>71,908,969,150</u></u>

No allowance for doubtful accounts was provided on trade accounts receivable as management believes that all such receivables are collectible. Management also believes that there are no significant concentrations of credit risk in third party receivables.

Transactions with related parties were done with interest rates, terms and conditions similar to those done with third parties. In 2002, PT Bank Internasional Indonesia Tbk is no longer considered as a related party.

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5. Trade Accounts Receivable (Continued)

	<u>2002</u> Rp	<u>2001</u> Rp
Total trade accounts receivable classified based on age from invoice issuance are as follows:		
Related parties (Note 36):		
1 - 30 days	1,800,215,062	938,790,640
31 - 60 days	47,067,888	864,134,312
61 - 90 days	184,748,929	175,972,082
91 - 120 days	645,969,502	3,550,494,494
Subtotal	<u>2,678,001,381</u>	<u>5,529,391,528</u>
Third Parties:		
1 - 30 days	101,924,404,453	60,312,491,506
31 - 60 days	173,756,401	1,848,437,232
61 - 90 days	50,851,755	239,925,786
91 - 120 days	228,832,697	3,978,723,098
Subtotal	<u>102,377,845,306</u>	<u>66,379,577,622</u>
Total	<u>105,055,846,687</u>	<u>71,908,969,150</u>

As of December 31, 2002, the total outstanding balance of trade accounts receivable in foreign currency amounted to US\$ 161,389 (Note 37).

Trade accounts receivable are used as collateral for bonds payable (Note 16).

6. Other Accounts Receivable

This account consists mainly of interest receivable from investments in bonds and time deposits, rental receivable, and receivables from maintenance services.

As of December 31, 2002 and 2001, other accounts receivable from related parties amounted to Rp 4,935,526,139 or 57.68% and Rp 4,977,715,822 or 41.97%, respectively, of the total other accounts receivable, which were done under similar terms and conditions as those done with third parties (Note 36).

As of December 31, 2002, the total outstanding balance of other accounts receivable includes other accounts receivable in foreign currency amounting to US\$ 7,287 (Note 37).

No allowance for doubtful accounts was provided on other accounts receivable as management believes that all such receivables are collectible.

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7. Inventories

This account consists of:

	2002 Rp	2001 Rp
Real estate inventories - net	1,388,970,636,180	1,120,926,664,774
Hotel inventories	6,266,505,098	5,550,356,879
Total	<u>1,395,237,141,278</u>	<u>1,126,477,021,653</u>

a. Real Estate Inventories

	2002 Rp	2001 Rp
Land and buildings ready for sale:		
Cempaka III	201,491,781,171	9,575,669,689
The Ambassador Kuningan	74,861,901,293	94,736,933,440
Mega ITC Cempaka Mas	72,579,717,681	-
Mangga Dua	65,784,360,694	64,491,239,695
Roxy Mas	54,048,113,521	55,453,533,762
Kota Bunga	44,237,128,633	11,799,833,702
ITC Mangga Dua	39,942,324,040	34,053,643,310
Taman Permata Buana	17,065,677,965	18,950,835,140
Taman Banjar Wijaya	16,626,488,183	4,472,071,892
Duta Mas Fatmawati	14,469,137,855	19,228,032,791
Legenda Wisata	9,525,582,877	-
Mangga Dua Surabaya	9,094,401,724	10,715,163,485
Graha Cempaka Mas	3,834,820,656	7,451,485,205
Wisma Eka Jiwa	847,527,390	1,331,395,098
Subtotal	<u>624,408,963,683</u>	<u>332,259,837,209</u>
Buildings under construction:		
Mega ITC Cempaka Mas	104,661,167,834	222,418,350,975
The Ambassador Kuningan	96,935,795,582	-
Legenda Wisata	55,836,323,453	-
Harco Mas	29,169,879,621	20,169,057,662
Cempaka III	22,920,945,680	86,430,680,869
Kota Bunga	16,995,086,751	30,173,450,124
Duta Mas Fatmawati	16,348,101,656	26,144,409,517
Taman Permata Buana	10,522,307,219	19,715,940,701
Mangga Dua	6,142,450,466	3,117,522,382
Taman Banjar Wijaya	2,232,865,502	-
Subtotal	<u>361,764,923,764</u>	<u>408,169,412,230</u>

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7. Inventories (Continued)

a. Real Estate Inventories (Continued)

	2002 Rp	2001 Rp
Land under development:		
Taman Banjar Wijaya	254,698,898,567	278,498,832,037
Kota Bunga	73,516,765,761	48,884,994,072
The Ambassador Kuningan	45,601,877,960	-
Cempaka III	35,856,495,264	35,148,550,119
Taman Permata Buana	16,324,248,077	24,037,804,828
Legenda Wisata	10,935,422,524	-
Mega ITC Cempaka Mas	9,160,436,510	25,491,432,127
Mangga Dua Surabaya	9,064,665,929	6,129,385,748
Harco Mas	4,556,176,852	13,737,542,936
Duta Mas Fatmawati	2,122,950,897	7,310,295,514
Subtotal	<u>461,837,938,341</u>	<u>439,238,837,381</u>
 Total	 1,448,011,825,788	 1,179,668,086,820
Allowance for decline in value of real estate inventories	<u>(59,041,189,608)</u>	<u>(58,741,422,046)</u>
Net	<u><u>1,388,970,636,180</u></u>	<u><u>1,120,926,664,774</u></u>

The changes in allowance for decline in value of real estate inventories are as follows:

	2002 Rp	2001 Rp
Balance at beginning of year	58,741,422,046	-
Provision during the year	<u>299,767,562</u>	<u>58,741,422,046</u>
Balance at end of year	<u><u>59,041,189,608</u></u>	<u><u>58,741,422,046</u></u>

Management believes that the allowance for decline in value of real estate inventories is adequate to cover possible losses on the decline in value of such assets.

As of December 31, 2002 and 2001, PT Sinarwijaya Ekapratista, a subsidiary, provided an allowance for decline in value of real estate inventories which amounted to Rp 299,767,562 and Rp 58,741,422,046, respectively.

PT Royal Oriental Limited, a subsidiary, built Plaza BII building with the intention to sell such building as real estate inventories. However, the subsidiary leased out the said building while waiting for the sale, and recorded the said building under real estate inventories account in its financial statements. However, in the consolidated financial statements of the Company and its subsidiaries, the said building was reclassified to property and equipment account under "land and buildings", which amounted to Rp 568,850,896,528 and Rp 569,918,569,684 as of December 31, 2002 and 2001, respectively (Note 12).

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7. Inventories (Continued)

a. Real Estate Inventories (Continued)

Interest expenses capitalized to real estate inventories amounted to Rp 3,465,110,850 in 2002 and Rp 63,629,536,512 in 2001. There was no foreign exchange difference which was capitalized to real estate inventories in 2002, and gain on foreign exchange difference deducted from real estate inventories in 2001 amounted to Rp 1,457,912,470, which was about 10% of the total net foreign exchange difference.

Certain houses, shophouses and buildings with strata title were constructed by PT Mitrabangun Adigraha, PT Paraga Artamida, and PT Putra Satria Prima, related parties contractors (Note 36.d).

Real estate inventories were insured with PT Asuransi Sinar Mas, a related party, against fire and other possible risks for Rp 405,076,417,915 and US\$ 454,518,698 as of December 31, 2002 and Rp 86,980,461,395 and US\$ 157,753,698 as of December 31, 2001 (Note 36.e). Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

Certain buildings and projects are used as collateral for certain loans from banks and other financial institutions and bonds payable (Notes 15 and 16).

Management believes that the carrying value of real estate inventories does not exceed their replacement cost or recoverable amount from the sale or use of the asset.

Transactions with related parties were done under similar terms and conditions as those done with third parties.

b. Hotel Inventories

	2002 Rp	2001 Rp
Supplies	5,066,566,157	4,377,801,388
Food	635,662,435	632,941,338
Beverages	530,475,263	439,862,955
Others	33,801,243	99,751,198
Total	<u>6,266,505,098</u>	<u>5,550,356,879</u>

Hotel inventories are used as collateral for bank loan obtained from PT Bank Negara Indonesia Tbk (Note 15).

Management believes that the carrying value of hotel inventories does not exceeds their replacement cost or recoverable amount from the sale or use of the asset.

8. Advances for Purchases

This account pertains to advances for land acquisition, expenses related to land releasement and development, and purchases of inventories.

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9. Prepaid Taxes

	2002	2001
	Rp	Rp
Income taxes		
Article 22	50,276,486	49,832,606
Article 23	21,364,193,123	8,561,621,528
Article 25	858,964,508	796,906,654
Value Added Tax - Net	4,911,641,309	-
Total	<u>27,185,075,426</u>	<u>9,408,360,788</u>

10. Prepaid Expenses

This account mainly consists of advance payment of insurance premium and office rental.

As of December 31, 2002, prepaid expenses from related parties amounted to Rp 207,070,170 or 9.92% of the total prepaid expenses, which were done under similar terms and conditions as those done with third parties (Note 36).

As of December 31, 2002, the total outstanding balance of prepaid expenses includes prepaid expenses in foreign currency amounting to US\$ 22,869 (Note 37).

11. Land for Development

Name of Project	Location	2002		2001	
		Land Area	Amount	Land Area	Amount
		in square meter	Rp	in square meter	Rp
Cibubur	Cibubur, Bogor, West Java	1,317,801	162,960,143,784	1,289,747	160,254,005,353
Roxy II	Duri Pulo, Central Jakarta	110,832	151,469,371,268	109,892	147,381,907,444
Legenda Wisata	Nagrak Village and Waherang Village, West Java	887,721	146,743,413,891	920,426	230,027,248,614
Kota Bunga	Loji Village, Sukarame Village, Sukanagalih Village and Batulawang Village	606,938	67,460,997,209	769,548	76,935,294,054
Bekasi	Jatiluhur Village and Jati Mekar Village	878,422	39,929,731,029	872,282	39,311,261,405
Mangga Dua Surabaya	Jagirwonokromo, Surabaya	31,177	19,875,821,877	31,177	19,563,796,917
The Ambassador Kuningan	Kuningan, South Jakarta	-	-	11,409	68,051,459,956
Cempaka III	Cempaka Putih, Central Jakarta	-	-	31,856	123,300,540,972
Taman Banjar Wijaya	Tangerang	-	-	1,814	735,000,909
Total		<u>3,832,891</u>	<u>588,439,479,058</u>	<u>4,038,151</u>	<u>865,560,515,624</u>

Total interest expenses which were capitalized to land for development amounted to Rp 4,567,871,368 in 2002 and Rp 24,338,757,091 in 2001. There was no foreign exchange difference which was capitalized to land for development in 2002, while gain on foreign exchange difference deducted from land for development in 2001 amounted to Rp 1,697,181,897, which was about 11% of the total net foreign exchange loss.

Management believes that the carrying value of land for development does not exceeds their replacement cost or recoverable amount from the sale or use of the asset.

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12. Property and Equipment

	January 1, 2002 Rp	Changes during 2002		December 31, 2002 Rp
		Additions Rp	Deductions Rp	
At cost:				
Land	230,067,944,331	260,000,000	-	230,327,944,331
Buildings	604,707,376,186	1,850,296,153	3,370,836,344	603,186,835,995
Building improvements	17,477,721,413	1,579,660,675	-	19,057,382,088
Leasehold improvements	1,560,409,833	-	-	1,560,409,833
Furniture and fixtures	22,676,838,341	4,784,462,244	133,326,030	27,327,974,555
Transportation equipment	14,524,979,658	2,089,100,865	678,446,472	15,935,634,051
Subtotal	<u>891,015,269,762</u>	<u>10,563,519,937</u>	<u>4,182,608,846</u>	<u>897,396,180,853</u>
Accumulated depreciation:				
Buildings	67,700,131,784	25,100,301,529	812,310,322	91,988,122,991
Building improvements	14,124,519,632	1,352,554,884	-	15,477,074,516
Leasehold improvements	1,499,244,186	53,359,831	-	1,552,604,017
Furniture and fixtures	18,225,120,566	2,312,675,452	99,665,197	20,438,130,821
Transportation equipment	12,831,587,491	968,889,165	592,424,517	13,208,052,139
Subtotal	<u>114,380,603,659</u>	<u>29,787,780,861</u>	<u>1,504,400,036</u>	<u>142,663,984,484</u>
Net Book Value	<u>776,634,666,103</u>			<u>754,732,196,369</u>

	January 1, 2001 Rp	Changes during 2001		December 31, 2001 Rp
		Additions Rp	Deductions Rp	
At cost:				
Land	43,655,028,729	186,412,915,602	-	230,067,944,331
Buildings	222,201,554,488	384,146,179,116	1,640,357,418	604,707,376,186
Building improvements	17,477,721,413	-	-	17,477,721,413
Leasehold improvements	1,560,409,833	-	-	1,560,409,833
Furniture and fixtures	20,932,031,961	1,754,636,888	9,830,508	22,676,838,341
Transportation equipment	14,349,328,841	394,048,320	218,397,503	14,524,979,658
Subtotal	<u>320,176,075,265</u>	<u>572,707,779,926</u>	<u>1,868,585,429</u>	<u>891,015,269,762</u>
Accumulated depreciation:				
Buildings	45,670,036,986	22,356,798,209	326,703,411	67,700,131,784
Building improvements	12,952,084,843	1,172,434,789	-	14,124,519,632
Leasehold improvements	1,372,436,233	126,807,953	-	1,499,244,186
Furniture and fixtures	16,184,088,902	2,050,862,172	9,830,508	18,225,120,566
Transportation equipment	11,777,150,699	1,241,073,883	186,637,091	12,831,587,491
Subtotal	<u>87,955,797,663</u>	<u>26,947,977,006</u>	<u>523,171,010</u>	<u>114,380,603,659</u>
Net Book Value	<u>232,220,277,602</u>			<u>776,634,666,103</u>

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12. Property and Equipment (Continued)

In 2002, certain deductions in property and equipment represent sale of some property and equipment with net book value amounting to Rp 85,638,867 (with cost of Rp 765,467,972 and accumulated depreciation of Rp 679,829,105). Gain on sale of the said property and equipment amounted to Rp 531,621,633.

Depreciation charged to operations is as follows:

	2002 Rp	2001 Rp
Selling expenses	178,109,385	49,043,294
General and administrative expenses	29,609,671,476	26,898,933,712
Total	<u>29,787,780,861</u>	<u>26,947,977,006</u>

Management believes that the carrying value of property and equipment does not exceeds the replacement cost or the recoverable amount from the sale or use of the asset.

The Company and its subsidiaries own several parcels of land located in Balikpapan and Jakarta with details as follows:

	2002 Rp	2001 Rp
Plaza BII building	186,412,915,602	186,412,915,602
Dusit Balikpapan	31,705,471,994	31,445,471,994
Dusit Mangga Dua	11,513,862,855	11,513,862,855
Taman Permata Buana	695,693,880	695,693,880
Total	<u>230,327,944,331</u>	<u>230,067,944,331</u>

The parcels of land in Plaza BII, Dusit Balikpapan and Taman Permata Buana are owned by certain subsidiaries with Building Use Rights ("Hak Guna Bangunan" or "HGB") until March 30, 2025, April 3, 2008 and December 15, 2022 and February 16, 2006, respectively, while the land in Dusit Mangga Dua is owned by the Company with proprietary rights on each low-cost apartment. Management believes that there will be no difficulty in the extension of the landrights since all the parcels of land were acquired legally and are supported by sufficient evidence of ownership.

Certain land and hotel building, transportation equipment and furnitures and fixtures are used as collateral for certain loans from banks and other financial institutions and bonds payable (Notes 15 and 16).

Property and equipment, except for land, were insured with PT Asuransi Sinar Mas, PT Asuransi Central Asia, PT Staco Jasapratama and PT Asuransi Tri Pakarta against risks of fire, damage, theft and other possible risks for Rp 21,958,068,330 and US\$ 16,274,560 as of December 31, 2002, and with PT Asuransi Sinar Mas, PT China Insurance, and PT Asuransi Tri Pakarta for Rp 20,618,561,330 and US\$ 120,521,275 as of December 31, 2001. Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

Transactions with PT Asuransi Sinar Mas, a related party, were done under similar terms and conditions as those done with third parties.

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13. Property under Build, Operate, and Transfer

	January 1, 2002 Rp	Changes during 2002		December 31, 2002 Rp
		Additions Rp	Deductions Rp	
At cost:				
Discotheque	531,980,938	-	531,980,938	-
Bridge	24,755,739,986	-	-	24,755,739,986
Kiosk	-	1,445,037,925	-	1,445,037,925
Food court	-	1,429,017,003	-	1,429,017,003
Parking	-	1,337,379,312	-	1,337,379,312
Total	<u>25,287,720,924</u>	<u>4,211,434,240</u>	<u>531,980,938</u>	<u>28,967,174,226</u>
Accumulated depreciation:				
Discotheque	212,792,352	11,082,935	223,875,287	-
Bridge	825,191,333	825,191,333	-	1,650,382,666
Food court	-	16,488,658	-	16,488,658
Parking	-	15,431,300	-	15,431,300
Total	<u>1,037,983,685</u>	<u>868,194,226</u>	<u>223,875,287</u>	<u>1,682,302,624</u>
Net Book Value	<u>24,249,737,239</u>			<u>27,284,871,602</u>

	January 1, 2001 Rp	Changes during 2001		December 31, 2001 Rp
		Additions Rp	Deductions Rp	
At Cost:				
Theater	1,257,192,654	-	1,257,192,654	-
Discotheque	531,980,938	-	-	531,980,938
Bridge	-	24,755,739,986	-	24,755,739,986
Total	<u>1,789,173,592</u>	<u>24,755,739,986</u>	<u>1,257,192,654</u>	<u>25,287,720,924</u>
Accumulated depreciation:				
Theater	462,831,856	31,465,566	494,297,422	-
Discotheque	189,428,128	23,364,224	-	212,792,352
Bridge	-	825,191,333	-	825,191,333
Total	<u>652,259,984</u>	<u>880,021,123</u>	<u>494,297,422</u>	<u>1,037,983,685</u>
Net Book Value	<u>1,136,913,608</u>			<u>24,249,737,239</u>

Depreciation expense charged to current operations amounted to Rp 868,194,226 in 2002 and Rp 880,021,123 in 2001.

Deductions in discotheque in 2002 and theater in 2001, represent the demolition of a discotheque and a movie theater, based on an agreement between a subsidiary and a third party, while the additions in 2001 represent improvements made on the bridge, which is a joint project between a subsidiary and a local government in Jakarta (Notes 38.b and 38.f).

Management believes that the carrying value of property under build, operate, and transfer does not exceeds their replacement cost or recoverable amount from the sale or use of the asset.

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14. Goodwill

This presents goodwill from the Company's investments in shares of stock in the subsidiaries and Jagir project with details as follows:

Company's Name	Date of Acquisition	January 1, 2002 Rp	Changes during 2002		December 31, 2002 Rp
			Amortization Rp	Effect of Decrease in Capital Stock Rp	
PT Sinarwijaya Ekapratista	January 1994	48,000,036	(4,000,000)	-	44,000,036
PT Royal Oriental Limited	March 1994	9,574,259,851	(786,925,473)	-	8,787,334,378
PT Perwita Margasakti	January 1995	(189,974,224)	14,613,404	45,186,396	(130,174,424)
PT Mustika Karya Sejati	August 1995	4,669,560,949	(343,771,361)	(2,812,195,808)	1,513,593,780
PT Misaya Properindo	August 1997	3,895,833,352	(250,000,000)	-	3,645,833,352
Jagir Project	November 1999	(1,889,299,933)	105,942,050	-	(1,783,357,883)
Net		16,108,380,031	(1,264,141,380)	(2,767,009,412)	12,077,229,239

Company's Name	Date of Acquisition	January 1, 2001 Rp	Amortization during 2001 Rp	December 31, 2001 Rp
PT Sinarwijaya Ekapratista	January 1994	52,000,036	(4,000,000)	48,000,036
PT Royal Oriental Limited	March 1994	10,361,185,324	(786,925,473)	9,574,259,851
PT Perwita Margasakti	January 1995	(204,587,628)	14,613,404	(189,974,224)
PT Mustika Karya Sejati	August 1995	5,013,332,310	(343,771,361)	4,669,560,949
PT Misaya Properindo	August 1997	4,145,833,352	(250,000,000)	3,895,833,352
Jagir Project	November 1999	(1,995,241,983)	105,942,050	(1,889,299,933)
Net		17,372,521,411	(1,264,141,380)	16,108,380,031

The Company recorded amortization expense of goodwill amounting to Rp 4,031,150,792 (consists of goodwill amortization, net of the effect of the decrease in capital stock of the subsidiaries) in 2002 and Rp 1,264,141,380 in 2001. The increase in goodwill amortization expense resulted from the Company's buyback of the subsidiaries' capital stock, which caused the decrease in the capital stock of these subsidiaries.

As of December 31, 2002 and 2001, accumulated amortization of goodwill amounted to Rp 13,205,598,292 and Rp 9,174,447,500, respectively.

15. Loans from Banks and other Financial Institutions

	2002 Rp	2001 Rp
Rupiah		
PT Bank Rakyat Indonesia (Persero)	136,800,000,000	154,222,108,080
PT Bank Central Asia Tbk	44,000,000,000	-
Indonesian Bank Restructuring Agency (IBRA) - formerly from:		
PT Bank Internasional Indonesia Tbk	10,000,000,000	10,000,000,000
PT Bank Danamon Tbk	3,900,000,000	3,900,000,000

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15. Loans from Banks and other Financial Institutions (Continued)

	2002 Rp	2001 Rp
U.S. Dollar		
Syndicated loan, arranged by PT Bank Mizuho Indonesia (US\$ 6,500,000 in 2002 and US\$ 18,000,000 in 2001)	58,110,000,000	187,200,000,000
PT Bank Negara Indonesia, Tbk (US\$ 5,076,760 in 2002 and US\$ 5,676,760 in 2001)	45,386,241,016	59,038,311,696
Total	298,196,241,016	414,360,419,776
Less current portion of long-term loans	(127,033,000,000)	(65,930,000,000)
Long-term Loans - net of current portion	171,163,241,016	348,430,419,776

PT Bank Rakyat Indonesia (Persero) (BRI)

This account represents an investment loan of PT Sinarwisata Lestari (SWL), a subsidiary, from BRI with a maximum credit facility of US\$ 31,500,000. The investment loan was obtained to finance the construction of Dusit Mangga Dua Hotel. This loan is secured by land and hotel building of SWL and a corporate guarantee from the Company.

Based on the Correspondent Letter No.B.853-KOR/DKK/KPD/10/98 dated October 29, 1998, BRI agreed to convert the loan into its Rupiah equivalent using Rp 8,000 per US\$ 1.

Based on the Loan Settlement Agreement No. 98 dated November 28, 2002 of B.R.Ay. Mahyastoeti Notonegoro, S.H., notary in Jakarta, BRI agreed to reschedule the loan, to write-off a portion of interest payable of Rp 35,774,217,089 and penalty, and change the interest rate for 2002 until 2007 to 14% - 16% per annum.

SWL is required to fulfill all loan covenants which are stated in the above-mentioned agreements.

In 2002, SWL has paid the principal installment of Rp 17,422,108,080.

Interest expense in 2002 and 2001 amounted to Rp 26,784,789,762 and Rp 22,795,729,912, respectively.

PT Bank Central Asia Tbk (BCA)

Represents bank loan of subsidiaries (PT Sinarwisata Permai, PT Saranapapan Ekasejati, PT Misaya Properindo, and PT Kurnia Subur Permai) obtained from BCA totaling Rp 44,000,000,000, with interest rate per annum of 1.5% above time deposit interest rate. The loan has a term of one year and can be extended based on the bank's approval. The loan is collateralized by the Company's time deposits with BCA amounting to Rp 44,000,000,000 (Note 4).

15. Loans from Banks and other Financial Institutions (Continued)

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Indonesian Bank Restructuring Agency (IBRA) – Loan Originally Obtained from PT Bank Internasional Indonesia Tbk (BII)

The loan of PT Sinarwijaya Ekapratista (SWEP), a subsidiary, from BII (which had been transferred to IBRA) represents a working capital loan of Rp 10,000,000,000, which is also the maximum credit facility, and with interest rate of 22% per annum. Based on a Correspondent Letter No. 2001.0559/DIRCC/KC-4 dated March 9, 2001, BII agreed to change the interest rate to 16% per annum, and the loan will be due on September 30, 2003, with a schedule of payment starting on September 30, 2001 to September 30, 2003. This loan is secured by a corporate guarantee from the Company.

On November 5, 2001, the loan from BII was transferred to IBRA. The interest rate in 2002 and 2001 is 16% per annum. SWEP has defaulted in its interest payment since July 1, 2001. In 2002 and 2001, total interest expense capitalized to real estate inventories amounted to Rp 1,622,222,221 and Rp 1,622,222,224, respectively. Currently, SWEP is in the process of restructuring its bank loan (principal and interest) with IBRA.

Indonesian Bank Restructuring Agency (IBRA) – Loan Originally Obtained from PT Bank Danamon Tbk

The loan of PT Sinarwijaya Ekapratista (SWEP), a subsidiary, from PT Bank Danamon Tbk represents a working capital loan of Rp 7,500,000,000, which is also the maximum credit facility, and with interest rate of 20.5% per annum. Based on the latest amendment to the credit agreement dated December 21, 1998, the terms of the loan were change such as the principal amount became Rp 4,000,000,000, interest rate at 65% per annum and which should be paid on the 26th day of each month. The term of the loan is 60 months and was due on December 31, 2001. The loan is secured by the land and housing project of SWEP.

Based on the Correspondent Letter obtained from IBRA No. S-2673/LWO-JKT/BPPN/0201 dated February 15, 2001, this loan from PT Bank Danamon Tbk was transferred to IBRA. As of December 31, 2002, the interest rate per annum is 16%. SWEP has defaulted in its interest payment since April 13, 2000. Interest expense in 2002 and 2001 amounted to Rp 632,666,665 and Rp 1,571,046,913, respectively, which was capitalized to real estate inventories. Currently, the bank loan (principal and interest) is still in the process of restructuring with IBRA.

Syndicated Loan

The syndicated loan was obtained by PT Royal Oriental Limited (ROL), a subsidiary, to finance the construction of the BII Plaza project which was arranged by PT Bank Mizuho Indonesia (formerly PT Fuji Bank Internasional Indonesia), Jakarta branch, and with four banks and four other financial institutions as members, which included PT Asuransi Jiwa Eka Life and PT Asuransi Sinar Mas, related parties, with participation of US\$ 325,000 (equivalent to Rp 2,905,500,000) and US\$ 216,667 (equivalent to Rp 1,937,000,000) in 2002, respectively, and US\$ 900,000 (equivalent to Rp 9,360,000,000) and US\$ 600,000 (equivalent to Rp 6,240,000,000) in 2001, respectively. The syndicated loan amounting to US\$ 60,000,000, which is also the maximum credit facility, has an interest rate of 3% per annum above SIBOR until November 30, 1996 and 2.75% above SIBOR until February 28, 2001.

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15. Loans from Banks and other Financial Institutions (Continued)

Syndicated Loan (Continued)

This loan is payable every three months beginning on November 30, 1996 up to February 28, 2001. Since ROL failed to pay the amounts due on February 28, 2001, the syndication members claimed 50% of the outstanding principal, including accrued interest. On March 21, 2001, ROL repaid a portion of the principal amounting to US\$ 10,000,000 to the syndication members. However, Marubeni Corporation paid US\$ 10,000,000 to the syndication members, representing 50% of the outstanding principal amount due and owing under the agreement, and become a loan syndication member. On September 4, 2001, ROL paid a portion of the loan principal of US\$ 2,000,000, thus, the outstanding loan as of December 31, 2001 amounted to US\$ 18,000,000. This loan is due on February 28, 2004.

In 2002, The Daiwa Bank Limited, Singapore branch, and Mitsubishi Trust and Banking Corporation, Singapore branch, discontinued their membership in the syndication and they were replaced with Deutsche Bank AG, London and Lehman Brothers Commercial Corp. c/o Tokyo. Further, The Dai-ichi Kangyo Bank Limited, Singapore branch, also merged with Mizuho Corporation Bank Limited (formerly The Fuji Bank Limited, Singapore branch).

In 2002, ROL paid a total of US\$ 11,500,000 for the said loan (US\$ 5,000,000 on February 14, 2002, US\$ 1,500,000 on May 28, 2002, and US\$ 5,000,000 on August 28, 2002). As a result, the syndicated loan balance as of December 31, 2002 amounted to US\$ 6,500,000. The next repayment of US\$ 1,000,000, US\$ 5,000,000, and US\$ 500,000 is scheduled on February 28, 2003, August 28, 2003, and February 28, 2004, respectively.

The loan is secured by ROL's investments in bonds of PT Duta Pertiwi Tbk and IKPP (Note 4), land, office building consisting of Plaza BII Towers 2 and 3, nonmovable assets owned by ROL, corporate guarantee from related parties such as PT Sinar Mas Tunggal, PT Supra Veritas, the Company, PT Paraga Artamida, and also a personal guarantee from Eka Tjipta Widjaja.

On February 28, 2003, ROL fully settled the syndicated loan of US\$ 6,500,000.

PT Bank Negara Indonesia Tbk

This pertains to investment loan obtained by PT Sinarwisata Permai (SWP), a subsidiary, from PT Bank Negara Indonesia Tbk (BNI), with a maximum credit facility of US\$ 11,100,000 and which was originally due on December 2, 2000. In 1999, the loan agreement was amended - the maximum credit facility became US\$ 6,660,000 and is due on December 31, 2003. The loan is repayable in quarterly installments starting in September 2000, with interest rate of 12% per annum and which shall be paid by SWP in accordance with the loan agreement.

On November 5, 2001, SWP obtained the approval of the loan restructuring. Thus, the due date was extended to December 31, 2006. Interest rate is 12.5% per annum and will thereafter be reviewed by BNI based on the prevailing interest rate.

This loan is secured by all of SWP's movable and nonmovable assets, which already exist or will exist in the future, consisting mainly of land and hotel building, transportation equipment and hotel equipment.

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16. Bonds Payable

The details of bonds payable as of December 31, 2002 are as follows:

	2002 Rp
DP II bonds	500,000,000,000
DP III bonds	350,000,000,000
Total obligations	<u>850,000,000,000</u>
Less:	
Payment using accounts receivable from third party	108,650,000,000
Payment of principal installment	222,405,000,000
Bonds owned by the subsidiaries	19,425,000,000
Subtotal	<u>350,480,000,000</u>
Net	<u><u>499,520,000,000</u></u>

The details of bonds payable as of December 31, 2001 are as follows:

Series	Series Number	Nominal Value	Number of Bonds	2001 Rp
BONDS I:				
DUTI	0001 up to 0550	10,000,000	550	5,500,000,000
DUTI	0551 up to 0900	50,000,000	350	17,500,000,000
DUTI	0901 up to 1170	100,000,000	270	27,000,000,000
DUTI	1171 up to 1270	500,000,000	100	50,000,000,000
DUTI	1271 up to 1370	1,000,000,000	100	100,000,000,000
Total Bonds I			<u>1,370</u>	<u>200,000,000,000</u>
BONDS II:				
DP II	00001 up to 00250	10,000,000	250	2,500,000,000
DP II	00251 up to 00290	50,000,000	40	2,000,000,000
DP II	00291 up to 00470	100,000,000	180	18,000,000,000
DP II	00471 up to 00895	500,000,000	425	212,500,000,000
DP II	00896 up to 01160	1,000,000,000	265	265,000,000,000
Total Bonds II			<u>1,160</u>	<u>500,000,000,000</u>
BONDS III:				
DP III	00001 up to 00275	100,000,000	275	27,500,000,000
DP III	00276 up to 00420	500,000,000	145	72,500,000,000
DP III	00421 up to 00670	1,000,000,000	250	250,000,000,000
Total Bonds III			<u>670</u>	<u>350,000,000,000</u>
Total obligations				<u>1,050,000,000,000</u>
Less:				
Put option exercised by the bondholders				200,000,000,000
Payment using accounts receivable from third party				88,650,000,000
Bonds owned by the subsidiaries				77,440,590,000
Total				<u>366,090,590,000</u>
Total outstanding bonds				683,909,410,000
Unamortized discount				<u>(2,018,776,872)</u>
Net				<u><u>681,890,633,128</u></u>

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16. Bonds Payable (Continued)

On April 3, 1996, the Company issued Duta Pertiwi I (DUTI) Series A and Series B bonds amounting to Rp 200,000,000,000 which were issued at par value, with PT Bank Negara Indonesia Tbk, as a trustee. These bonds, which are listed in the Surabaya Stock Exchange, have the following terms and conditions:

- Maturity date is on April 26, 2001.
- Interest for Series A bonds is a fixed rate of 18.50% per annum.
- Interest for Series B bonds is at a fixed rate of 18.75% per annum on the first year for the first to fourth coupons and at a floating rate for the fifth to the twentieth coupons. Interest rates for the succeeding years are based on floating rates.
- Interest will be paid quarterly, from July 26, 1996 to April 26, 2001.
- The bondholders can exercise their put option on the third anniversary of the bonds issuance from February 1 to 15, 1999 or on the fourth anniversary of the bonds issuance from February 1 to 15, 2000.
- The bonds are secured by a corporate guarantee from PT Paraga Artamida, a stockholder.
- The Company is required to fulfill certain covenants which are stated in the agreement.

Some of the DUTI bondholders exercised their option to sell their bonds back to the Company amounting to Rp 4,000,000,000 in 2000. DUTI bonds payable have been fully paid in April 2001.

On March 26, 1997, the Company issued Duta Pertiwi II (DP II) Series A and Series B bonds amounting to Rp 500,000,000,000 which were issued at par value, with PT Bank Bali Tbk as trustee. These bonds, which are listed in the Surabaya Stock Exchange, have the following terms and conditions:

- Maturity date is on April 17, 2002.
- Interest for Series A bonds is a fixed rate of 15.25% per annum for five years.
- Interest for Series B bonds for the first year is a fixed rate of 15.25% per annum for the first to fourth coupons and a floating rate based on the average of the six-months time deposit rate of five state banks, namely, PT Bank Negara Indonesia Tbk, PT Bank Rakyat Indonesia (Persero), and PT Bank Mandiri (Persero) (after the merger of PT Bank Bumi Daya, PT Bank Exim Indonesia and PT Bank Dagang Negara), plus a 2% fixed premium per annum for the fifth to the twentieth coupons.
- Interest is payable on a quarterly basis from July 17, 1997 to April 17, 2002.
- The bonds are guaranteed by a corporate guarantee from PT Sinar Mas.
- The Company is required to fulfill certain covenants which are stated in the agreement.

The Company is required to establish a bond sinking fund for the payment of the bonds of 1%, 1.5%, 2% and 2.5%, for the first, second, third, and fourth year, respectively, up to 100% at the maturity date. The balance of the bond sinking fund as of December 31, 2001 amounted to Rp 12,500,000,000, which was placed in time deposits with PT Bank Mandiri (Persero), PT Bank Negara Indonesia Tbk and PT Bapindo, with interest rate ranging from 12.94% - 17.88% in 2001.

On June 17, 2002, the bondholders held an extraordinary bondholders' meeting in order to restructure DP II bonds. The results of such meeting of the bondholders are as follows:

- Maturity date was rescheduled on April 17, 2005.
- The roll over of DP II bonds were issued under scripless mechanism, with nominal Jumbo Bond Certificate of Rp 425,650,000,000.
- Interest of the bonds is at a fixed rate of 19% per annum for a period of three years.

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16. Bonds Payable (Continued)

- Principal installment of 20% of the total principal will be paid on June 25, 2002, 10% of the total principal on December 17, 2002, 20% of the total principal on April 17, 2003, and 25% of the total principal on April 17, 2004 and 2005.
- Acceleration of principal payment can be done on each interest payment date to reduce the principal amount due of the succeeding period.
- Interest will be paid quarterly from July 17, 2002 to April 17, 2005.
- The sinking fund has been established for Rp 12,500,000,000 and will be used in accordance with the percentages of principal installments on DP II bonds amounting to Rp 10,000,000,000 on June 25, 2002; Rp 8,750,000,000 on December 17, 2002; Rp 6,250,000,000 on April 17, 2003; Rp 3,125,000,000 on April 17, 2004; and nil on April 17, 2005.
- The bonds are guaranteed by a corporate guarantee from PT Sinar Mas.
- The Company is required to fulfill certain covenants which are stated in the agreement.
- The restructuring of DP II bonds took effect on April 17, 2002.

The balance of the bond sinking fund at December 31, 2002 amounted to Rp 8,750,000,000, which was placed in time deposits with PT Bank Permata Tbk (formerly PT Bank Bali Tbk), and with interest rate ranging from 13.92% - 17.74% in 2002.

On August 4, 1997, the Company issued Duta Pertiwi III (DP III) bonds amounting to Rp 350,000,000,000, which were sold at par value, with PT Bank Bali Tbk as trustee. These bonds, which are listed in the Surabaya Stock Exchange, have the following terms and conditions:

- Maturity date is on August 4, 2002.
- Interest for the bonds is at a fixed rate of 15.50% per annum for the first year until the fifth year.
- Interest is payable on quarterly basis from November 4, 1997 to August 4, 2002.
- The bonds are secured by all of the assets of the Company, with collateral sharing arrangements in accordance with articles 1131 and 1132 of the Indonesian Business Law.
- The Company is required to fulfill certain covenants which are stated in the agreement.

On June 17, 2002, the bondholders held an extraordinary meeting in order to restructure DP III bonds. The results of such meeting of the bondholders are as follows:

- Maturity date is on August 4, 2005.
- The roll over of DP III bonds were issued under scripless mechanism, with nominal Jumbo Bond Certificate of Rp 335,700,000,000.
- Interest for bonds is at a fixed rate of 19% per annum for a period of three years.
- Principal installment of 20% of the total principal will be paid on August 4, 2002, 10% of total principal on December 4, 2002, 20% of total principal on August 4, 2003, and 25% of total principal on August 4, 2004 and 2005.
- Acceleration of principal payment can be done on each interest payment date which will reduce the principal amount due of the succeeding period.
- Interest will be paid quarterly from November 4, 2002 to August 4, 2005.
- The bonds are secured by all of the assets of the Company, with collateral sharing arrangements in accordance with articles 1131 and 1132 of the Indonesian Business Law.
- The Company is required to fulfill certain covenants which are stated in the agreement.
- The restructuring of DP III bonds took effect on August 4, 2002.

Based on the rating issued by PT Pemeringkat Efek Indonesia (Pefindo) dated July 29, 2002, the above-mentioned DP II and III bonds are rated as idB+ (Single B Plus: Stable) from July 24, 2002 to September 1, 2003.

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17. Trade Accounts Payable to Third Parties

This account consists of the Company and its subsidiaries' liabilities to contractors in relation to the development costs of their projects, with details per business segment as follows:

	2002	2001
	Rp	Rp
Real estate	23,869,883,044	15,743,569,826
Hotel	8,264,130,932	6,215,573,638
Total	<u>32,134,013,976</u>	<u>21,959,143,464</u>

A summary of trade accounts payable based on its age since the date of invoice is as follows:

	2002	2001
	Rp	Rp
Less than 1 month	17,190,311,572	3,961,743,824
1 month - 3 months	4,487,527,432	6,050,671,943
3 months - 6 months	148,635,991	2,501,521,070
6 months - 12 months	130,238,076	1,739,503,041
More than 12 months	10,177,300,905	7,705,703,586
Total	<u>32,134,013,976</u>	<u>21,959,143,464</u>

18. Taxes Payable

	2002	2001
	Rp	Rp
Current tax (Note 33)	13,042,548,488	621,421,546
Income taxes		
Article 21	3,648,899,234	5,936,795,129
Article 23	1,198,540,127	1,068,853,584
Article 25	2,162,732,698	2,369,365,644
Article 26	-	35,527,058
Development tax I	628,745,624	587,804,632
Value Added Tax - net	1,454,057,183	4,729,252,516
Total	<u>22,135,523,354</u>	<u>15,349,020,109</u>

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19. Accrued Expenses

	2002 Rp	2001 Rp
Interest on:		
Loans from banks and other financial institutions	41,982,941,391	78,847,477,790
Bonds payable	19,645,704,443	20,900,789,728
Others	65,040,302,564	22,200,002,201
Total	126,668,948,398	121,948,269,719

Others represent accrued operating expenses of the Company and its subsidiaries.

As of December 31, 2002, accrued expenses to related parties amounted to Rp 20,008,882 or 0.02% of the total accrued expenses, which was done under similar interest rate, terms and conditions as those done with third parties.

As of December 31, 2002, the total outstanding balance of accrued expenses includes accrued expenses in foreign currency amounting to US\$ 58,668 (Note 37).

In 2002, PT Bank Internasional Indonesia Tbk is no longer considered as a related party.

20. Security Deposits

	2002 Rp	2001 Rp
Related parties (Note 36):		
PT Sinar Mas Agro Resources & Technology Tbk (SMART)	5,808,153,072	6,672,011,597
PT Indah Kiat Pulp & Paper Tbk	5,448,194,812	6,314,759,052
PT Pabrik Kertas Tjiwi Kimia Tbk	5,245,731,143	6,002,248,795
PT Pindo Deli Pulp & Paper Mills	1,222,291,949	1,393,639,744
PT Mega Kertas Pratama	1,071,716,899	1,256,061,824
PT Tapan Nadenggan	896,990,189	1,025,679,864
PT Sinar Mas Sekuritas	783,112,850	963,451,365
PT Bank Internasional Indonesia Tbk	-	17,711,397,722
Others (below Rp 600 million each)	3,135,968,462	3,603,922,877
Subtotal	23,612,159,376	44,943,172,840
Third parties:		
Rental	16,101,626,833	8,793,366,827
Telephone	9,460,314,392	4,801,078,392
Subtotal	25,561,941,225	13,594,445,219
Total	49,174,100,601	58,537,618,059

As of December 31, 2002 and 2001, the total outstanding balance of security deposits includes security deposits in foreign currency amounting to US\$ 4,202,036 and US\$ 4,254,317, respectively (Note 37).

Transactions with related parties were done under similar terms and conditions as those done with third parties. In 2002, PT Bank Internasional Indonesia Tbk is no longer considered as a related party.

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21. Advances Received

	2002 Rp	2001 Rp
Related parties (Note 36):		
PT Pabrik Kertas Tjiwi Kimia Tbk	11,288,658,907	6,515,877,965
PT Indah Kiat Pulp & Paper Tbk	9,744,671,303	8,515,134,296
PT Pindo Deli Pulp & Paper Mills	2,520,261,779	2,519,693,319
PT Cakrawala Mega Indah	2,498,798,321	2,498,234,701
PT Tapian Nadenggan	558,257,625	650,992,414
PT Sinar Mas Agro Resources & Technology Tbk (SMART)	404,199,726	253,705,552
PT Bank Internasional Indonesia Tbk	-	42,897,940,465
PT Ivo Mas Tunggal	-	195,131,181
Others	1,066,135,407	1,099,209,348
Subtotal	<u>28,080,983,068</u>	<u>65,145,919,241</u>
Third parties:		
Land, houses and shophouses	374,198,717,867	379,989,304,313
Rental	346,539,941,364	179,830,903,314
Land and building with strata title	132,462,605,144	434,213,995,388
Others	4,647,086,576	9,372,551,702
Subtotal	<u>857,848,350,951</u>	<u>1,003,406,754,717</u>
Total	<u><u>885,929,334,019</u></u>	<u><u>1,068,552,673,958</u></u>

As of December 31, 2002, the total outstanding balance of advances received includes advances received in foreign currency amounting to US\$ 4,147,493.

Transactions with related parties were done under similar terms and conditions as those done with third parties. In 2002, PT Bank Internasional Indonesia Tbk is no longer considered as a related party.

22. Liability for Employees' Retirement Benefits

The Company and its subsidiaries calculate and record estimated employee retirement benefits for all its local permanent employees based on the decree of the Minister of Manpower No. 150/2000 (KepMen 150), concerning the settlement of labor dismissal and the stipulation of severance pay, gratuity, and compensation in companies. No funding of benefits has been made to date. As of December 31, 2002 and 2001, the number of employees entitled to retirement benefits is 3,659 and 3,364, respectively. Estimated employees' retirement benefits in 2002 and 2001 amounted to Rp 15,135,652,998 and Rp 10,512,372,946, respectively.

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22. Liability for Employees' Retirement Benefits (Continued)

The principal assumptions used in determining employees' retirement benefits cost is as follows:

- The employees are expected to work until their retirement age
- Normal pension age : 55 years
- Salary increase rate : 10% for management and 10% for employees
- Discount rate : 12%
- Retirement benefit formula : Chapter 31 of the Decree of the Minister of Manpower based on the work period of each employee

Past service cost is amortized using the straight-line method over a period of 5 years.

The movement in liability for employees' retirement benefits is as follows:

	<u>2002</u> Rp	<u>2001</u> Rp
Balance at beginning of year	10,512,372,946	-
Provision for retirement cost for the year	<u>15,135,652,998</u>	<u>10,512,372,946</u>
Balance at end of year	<u><u>25,648,025,944</u></u>	<u><u>10,512,372,946</u></u>

23. Other Accounts Payable

This account consists of:

	<u>2002</u> Rp	<u>2001</u> Rp
Employees' insurance	5,127,164,899	5,427,164,899
Others	<u>81,091,570,272</u>	<u>12,029,077,146</u>
Total	<u><u>86,218,735,171</u></u>	<u><u>17,456,242,045</u></u>

As of December 31, 2002, others include payable to PT Matra Olahcipta, an associated company, amounting to Rp 60,000,000,000 in relation with the Company's investment in shares of stock in the said associated company (Note 38.h).

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24. Minority Interest in Net Assets of the Subsidiaries

This account represents minority interest in subsidiaries based on their percentage of ownership in the paid-up capital of the subsidiaries, with details as follows:

Name of Subsidiary	2002				Total Minority Interest in Net Assets of the Subsidiaries
	Capital Stock Rp	Additional Paid-in Capital Rp	Retained Earnings (Deficit) Rp	Difference Due to Change in Equity of a Subsidiary Rp	
PT Royal Oriental Limited	37,750,000,000	-	93,063,438,793	113,983,511	130,927,422,304
PT Sinarwijaya Ekapratista	7,200,000,000	80,000,000	(7,280,000,000)	-	-
PT Duta Virtual Dot Com	1,000,000	-	136,851	-	1,136,851
Total	<u>44,951,000,000</u>	<u>80,000,000</u>	<u>85,783,575,644</u>	<u>113,983,511</u>	<u>130,928,559,155</u>

Name of Subsidiary	2001				Total Minority Interest in Net Assets of the Subsidiaries
	Capital Stock Rp	Additional Paid-in Capital Rp	Retained Earnings (Deficit) Rp	Difference Due to Change in Equity of a Subsidiary Rp	
PT Royal Oriental Limited	37,750,000,000	-	64,419,843,190	(66,882,000)	102,102,961,190
PT Sinarwijaya Ekapratista	7,200,000,000	80,000,000	(19,830,011,886)	-	(12,550,011,886)
PT Duta Virtual Dot Com	1,000,000	-	56,619	-	1,056,619
Total	<u>44,951,000,000</u>	<u>80,000,000</u>	<u>44,589,887,923</u>	<u>(66,882,000)</u>	<u>89,554,005,923</u>

25. Capital Stock

As of December 31, 2002 and 2001, the share ownership in the Company, based on the records of PT Sinartama Gunita, share's registrar, is as follows:

Name of Stockholder	2002 and 2001		
	Number of Shares	Percentage of Ownership	Total Paid-up Capital Rp
PT Ekacentra Usahamaju	700,000,000	50.45%	350,000,000,000
PT Paraga Artamida	201,217,750	14.50%	100,608,875,000
PT Sinar Mas Tunggal	4,730,250	0.34%	2,365,125,000
Public (below 5% each)	<u>481,552,000</u>	<u>34.71%</u>	<u>240,776,000,000</u>
Total	<u>1,387,500,000</u>	<u>100.00%</u>	<u>693,750,000,000</u>

All of the shares of the Company are listed in the Jakarta and Surabaya Stock Exchanges.

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26. Additional Paid-in Capital

This account represents additional paid-in capital arising from the following transactions:

	Rp
Sale of the Company's shares through public offering in 1994	
Proceeds from the issuance of 25,000,000 shares	78,750,000,000
Amount recorded as paid-up capital	<u>(25,000,000,000)</u>
Balance of additional paid-in capital as of December 31, 1994	<u>53,750,000,000</u>
Conversion of convertible bonds in 1995	
Total bonds converted	78,750,000,000
Amount recorded as paid-up capital	<u>(52,500,000,000)</u>
Net	<u>26,250,000,000</u>
Balance of additional paid-in capital as of December 31, 1995	80,000,000,000
Distribution of bonus shares in 1996	<u>(69,375,000,000)</u>
Balance of additional paid-in capital as of December 31, 1996	<u>10,625,000,000</u>
Rights offering I to stockholders in 1997	
Proceeds from the issuance of 693,750,000 shares	502,968,750,000
Amount recorded as paid-up capital	<u>(346,875,000,000)</u>
Net	<u>156,093,750,000</u>
Balance as of December 31, 2002 and 2001	<u><u>166,718,750,000</u></u>

There was no transaction affecting additional paid-in capital from 1998 until 2002.

27. Difference Due to Change in Equity of a Subsidiary

As of December 31, 2002, PT Royal Oriental Limited (ROL), a subsidiary, recorded net unrealized loss on decline in value of securities amounting to Rp 207,082,446 (unrealized loss of Rp 777,000,000 on bonds issued by the Company and unrealized gain of Rp 569,917,554 on mutual fund issued by a related party). As of December 31, 2001, the unrealized loss on decline in value of securities amounted to Rp 334,410,000. The decline in value of investments in securities of ROL resulted to a decrease in the Company's interest in ROL. After the recognition of the above transactions, the difference due to change in equity of ROL amounted to a gain of Rp 455,934,043 (the Company's share in the unrealized gain on increase in value of mutual fund issued by a related party) as of December 31, 2002 and a loss of Rp 267,528,000 as of December 31, 2001. The difference due to change in equity of a subsidiary is presented as a component of equity.

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28. Revenues

The details of the Company and its subsidiaries' revenues classified based on revenues from related parties and third parties are follows:

	2002 Rp	2001 Rp
Related parties (Note 36):		
PT Sinar Mas Agro Resources & Technology Tbk (SMART)	23,497,764,024	24,637,162,151
PT Pabrik Kertas Tjiwi Kimia Tbk	19,168,479,307	18,607,349,835
PT Indah Kiat Pulp & Paper Tbk	18,364,305,546	15,882,834,327
PT Cakrawala Mega Indah	5,263,403,208	2,468,249,061
PT Pindo Deli Pulp & Paper Mills	4,620,119,729	4,433,783,956
PT Tapian Nadenggan	3,693,327,834	4,260,923,643
PT Ivo Mas Tunggal	935,944,168	2,063,593,879
PT Arara Abadi	823,320,810	8,215,470
PT LG Insurance Indonesia	822,162,295	809,023,643
PT Aldiracita Corpotama	560,584,918	1,105,945,545
PT Sinar Mas Sekuritas	431,316,151	339,983,459
PT Intercipta Kimia Pratama	268,956,729	264,952,296
PT Sinar Mas Multifinance	176,278,085	662,803,584
PT Sinartama Gunita	68,806,107	1,393,553,342
PT Bank Internasional Indonesia Tbk	-	32,326,391,245
PT Mega Kertas Pratama	-	2,180,648,398
Others (below Rp 400 million each)	1,666,721,776	2,548,065,095
Subtotal	<u>80,361,490,687</u>	<u>113,993,478,929</u>
Third parties:		
Land and buildings with strata title	849,044,929,350	647,919,165,595
Land, houses and shophouses	463,798,638,851	282,158,388,293
Hotel	83,244,192,433	67,522,201,420
Rental	86,959,329,159	54,775,592,046
Others	55,004,737,875	38,699,288,131
Subtotal	<u>1,538,051,827,668</u>	<u>1,091,074,635,485</u>
Total	<u><u>1,618,413,318,355</u></u>	<u><u>1,205,068,114,414</u></u>

In 2002, PT Bank Internasional Indonesia Tbk was no longer considered as a related party.

Revenues from related parties consist of revenues from building rental which were done under similar price, terms and conditions as those done with third parties (Note 36).

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29. Cost of Sales

The account consists of cost of sales and direct costs with details as follows:

	2002	2001
	Rp	Rp
Land, houses and shophouses	331,637,465,250	196,472,616,620
Land and buildings with strata title	454,838,104,982	414,269,832,635
Hotel direct costs	29,633,099,185	23,073,078,730
Total	<u>816,108,669,417</u>	<u>633,815,527,985</u>

30. Operating Expenses

The details of operating expenses are as follows:

a. Selling Expenses

	2002	2001
	Rp	Rp
Advertisement, commission, promotion and office expenses	110,459,655,510	97,146,325,931
Salaries, wages and employees' compensation	12,552,808,609	5,695,389,302
Repairs and maintenance	9,697,418,333	7,099,930,320
Consultation fees, permits and other services	2,835,228,587	1,503,993,281
Depreciation	178,109,385	49,043,294
Others	15,703,477,212	12,020,663,128
Subtotal	<u>151,426,697,636</u>	<u>123,515,345,256</u>

b. General and Administrative Expenses

	2002	2001
	Rp	Rp
Salaries, wages and employees' compensation	82,552,936,708	79,188,094,413
Consultation fees, permits and other services	48,096,056,342	9,172,565,808
Energy cost and operations' repairs and maintenance	37,355,818,968	35,881,631,423
Office expenses, electricity and communication	35,105,948,599	22,467,727,777
Depreciation	30,477,865,702	27,778,954,835
Marketing	23,000,000,000	-
Employees' retirement benefits (Note 22)	15,135,652,998	10,512,372,946
Representation and donation	2,664,805,990	1,762,060,820
Insurance	1,825,918,922	5,427,164,899
Others	15,058,766,949	10,878,163,422
Subtotal	<u>291,273,771,178</u>	<u>203,068,736,343</u>
Total	<u>442,700,468,814</u>	<u>326,584,081,599</u>

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31. Interest Income

	2002 Rp	2001 Rp
Time deposits	46,656,492,687	16,908,089,287
Investments in bonds and mutual fund	24,124,084,195	39,159,812,360
Current accounts	1,855,549,429	1,532,506,832
Total	<u>72,636,126,311</u>	<u>57,600,408,479</u>

In 2002, interest income from time deposits and investments in bonds from related parties amounted to Rp 24,534,019,045 or 33.78% of the total interest income, which were done under similar terms and conditions as those done with third parties (Note 36).

32. Interest Expense

	2002 Rp	2001 Rp
Interest expense on:		
Loans from banks and other financial institutions	39,248,995,246	48,591,873,972
Bonds payable	111,121,064,384	59,594,074,678
Total	<u>150,370,059,630</u>	<u>108,185,948,650</u>

In 2002, interest expense paid to related parties on loans from banks and other financial institutions amounted to Rp 470,300,344 or 0.31% of the total interest expense, which were paid under similar interest rate, terms and conditions as those done with third parties (Note 36).

33. Income Tax

a. Tax expense (benefit) of the Company and its subsidiaries consists of the following:

	2002 Rp	2001 Rp
Current tax	33,946,130,492	21,214,171,112
Deferred tax	<u>(3,801,604,306)</u>	<u>(2,311,248,612)</u>
Total	<u>30,144,526,186</u>	<u>18,902,922,500</u>

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33. Income Tax (Continued)

b. Current tax

A reconciliation between income before tax per consolidated statements of income and taxable income as of December 31, 2002 and 2001 is as follows:

	2002 Rp	2001 Rp
Income before tax per consolidated statements of income	316,827,429,247	44,125,491,974
Extraordinary item	35,774,217,089	-
Income (loss) before tax of subsidiaries	242,077,241,176	(24,583,908,856)
Income before tax of the Company	<u>110,524,405,160</u>	<u>68,709,400,830</u>
Adjustments to expense (income) already subjected to final tax:		
Rental revenues	(42,524,990,798)	(41,741,090,925)
Service charge revenues	(4,840,488,468)	(10,160,506,091)
Operating expenses	<u>983,837,498</u>	<u>4,093,939,245</u>
Income already subjected to final tax	<u>(46,381,641,768)</u>	<u>(47,807,657,771)</u>
Income before nonfinal tax	64,142,763,392	20,901,743,059
Temporary differences:		
Depreciation	429,445,156	(213,340,240)
Provision for employees' retirement benefits	10,841,185,070	6,326,099,034
Nondeductible expenses (nontaxable income):		
Tax expense	-	2,259,208,429
Entertainment and donation	1,933,455,248	1,401,092,577
Interest income	(21,042,546,803)	(11,076,768,309)
Other income	<u>(186,986,278)</u>	<u>-</u>
Taxable income of the Company	<u><u>56,117,315,785</u></u>	<u><u>19,598,034,550</u></u>

The details of current tax expense and tax payable (prepaid taxes) are as follows:

	2002 Rp	2001 Rp
Final income tax:		
The Company		
Rental and service charges		
6% x Rp 42,929,681,014 and		
10% x Rp 4,435,798,200 in 2002; and		
6% x Rp 51,901,597,016 in 2001	<u>3,019,360,684</u>	<u>3,114,095,821</u>
Subsidiaries		
PT Royal Oriental Limited	9,147,062,714	9,303,091,670
PT Perwita Margasakti	<u>916,122,694</u>	<u>861,912,021</u>
Subtotal	<u><u>10,063,185,408</u></u>	<u><u>10,165,003,691</u></u>

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33. Income Tax (Continued)

b. Current tax (Continued)

	2002 Rp	2001 Rp
Nonfinal income tax:		
The Company		
10% x Rp 50,000,000 in 2002 and 2001	5,000,000	5,000,000
15% x Rp 50,000,000 in 2002 and 2001	7,500,000	7,500,000
30% x Rp 56,017,315,000 in 2002 and Rp 19,498,034,000 in 2001	16,805,194,500	5,849,410,200
Subtotal	<u>16,817,694,500</u>	<u>5,861,910,200</u>
Subsidiaries		
PT Saranapapan Ekasejati	1,020,282,200	991,940,600
PT Mustika Karya Sejati	969,092,900	863,438,600
PT Misaya Properindo	462,260,600	72,315,200
PT Perwita Margasakti	1,579,439,600	67,484,000
PT Pangeran Plaza Utama	1,313,800	67,155,200
PT Sinarwijaya Ekapratista	13,500,800	10,827,800
Subtotal	<u>4,045,889,900</u>	<u>2,073,161,400</u>
Total current tax expense	<u>33,946,130,492</u>	<u>21,214,171,112</u>
Prepaid taxes:		
Final		
The Company	3,019,360,684	3,114,095,821
Subsidiaries	13,433,823,355	14,857,400,196
Subtotal	<u>16,453,184,039</u>	<u>17,971,496,017</u>
Nonfinal		
The Company	5,161,026,372	5,469,118,859
Subsidiaries	2,660,009,540	1,844,531,195
Subtotal	<u>7,821,035,912</u>	<u>7,313,650,054</u>
Total	<u>24,274,219,951</u>	<u>25,285,146,071</u>
Current tax payable (prepaid taxes)	<u>9,671,910,541</u>	<u>(4,070,974,959)</u>
Details:		
Final		
Subsidiaries	(3,370,637,947)	(4,692,396,505)
Nonfinal		
The Company	11,656,668,128	392,791,341
Subsidiaries	1,385,880,360	228,630,205
Total	<u>9,671,910,541</u>	<u>(4,070,974,959)</u>

The taxable income and prepaid taxes for 2001 of the Company and its subsidiaries are in accordance with the corporate tax returns filed with the Tax Service Office.

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33. Income Tax (Continued)

c. Deferred Tax

The details of deferred tax asset (liability) of the Company and its subsidiaries are as follows:

	January 1, 2001 Rp	Credited (charged) to income for the year Rp	December 31, 2001 Rp	Credited to income for the year Rp	December 31, 2002 Rp
Deferred tax asset					
Liability for employees' retirements benefits	-	2,393,532,760	2,393,532,760	3,675,270,863	6,068,803,623
Deferred tax liability					
Accumulated depreciation of property and equipment	(109,147,848)	(82,284,148)	(191,431,996)	126,333,443	(65,098,553)
Deferred tax asset (liability) - net	<u>(109,147,848)</u>	<u>2,311,248,612</u>	<u>2,202,100,764</u>	<u>3,801,604,306</u>	<u>6,003,705,070</u>

The details of deferred tax assets and liabilities for financial statement presentation purposes are as follows:

	2002 Rp	2001 Rp
Deferred tax assets		
The Company	5,137,250,915	1,756,061,847
PT Pangeran Plaza Utama	4,379,952	3,594,361
PT Saranapapan Ekasejati	406,706,229	270,439,463
PT Perwita Margasakti	241,770,795	69,735,431
PT Mustika Karya Sejati	259,321,918	151,819,406
Subtotal	<u>6,049,429,809</u>	<u>2,251,650,508</u>
Deferred tax liabilities		
PT Misaya Properindo	<u>45,724,739</u>	<u>49,549,744</u>
Total Deferred Tax Assets - Net	<u>6,003,705,070</u>	<u>2,202,100,764</u>

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33. Income Tax (Continued)

c. Deferred Tax (Continued)

A reconciliation between the total tax expense and the amounts computed by applying the effective tax rates to income subjected to nonfinal tax as of December 31, 2002 and 2001 is as follows:

	2002 Rp	2001 Rp
Income before tax of the Company per statements of income	110,524,405,160	68,709,400,830
Adjustments to expense (income) already subjected to final tax:		
Rental revenues	(42,524,990,798)	(41,741,090,925)
Service charge revenues	(4,840,488,468)	(10,160,506,091)
Operating expenses	983,837,498	4,093,939,245
Income already subjected to final tax	(46,381,641,768)	(47,807,657,771)
Income subjected to nonfinal tax	64,142,763,392	20,901,743,059
Tax expense at effective tax rates:		
10% x Rp 50,000,000 in 2002 and 2001	5,000,000	5,000,000
15% x Rp 50,000,000 in 2002 and 2001	7,500,000	7,500,000
30% x Rp 64,042,763,000 in 2002 and Rp 20,801,743,000 in 2001	19,212,828,900	6,240,522,900
Total	19,225,328,900	6,253,022,900
Tax effect of nondeductible expenses (nontaxable income):		
Tax expense	-	677,762,529
Entertainment and donation	580,036,574	420,327,773
Interest income	(6,312,764,041)	(3,323,030,492)
Other income	(56,096,190)	-
Total	(5,788,823,657)	(2,902,702,719)
Tax expense	13,436,505,243	3,350,320,181
Final tax	3,019,360,684	3,114,095,821
Total tax expense of the Company	16,455,865,927	6,464,416,002
Total tax expense of the Subsidiaries		
Final tax	10,063,185,408	10,165,003,691
Nonfinal tax	3,625,474,851	2,273,502,807
Total Tax Expense	30,144,526,186	18,902,922,500

34. Extraordinary Item

This account represents gain from debt restructuring of PT Sinarwisata Lestari, a subsidiary, wherein 50% of the deferred interest payable to PT Bank Rakyat Indonesia (Persero) amounting to Rp 35,774,217,089 (Note 15) was written-off by the bank. No income tax was accrued on this extraordinary item since the subsidiary is still in a fiscal loss position.

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35. Earnings per Share

The calculation of earnings per share is as follows:

	2002 Rp	2001 Rp
Net income	281,263,432,429	41,952,581,125
Weighted-average number of shares	1,387,500,000	1,387,500,000
Earnings per share (excludes extraordinary item)	176.93	30.24
Earnings per share (includes extraordinary item)	202.71	30.24

36. Nature of Relationship and Transactions with Related Parties

The details of the nature of relationship and the significant transactions with related parties are as follows:

Nature of Relationship

- a. PT Ekasentra Usahamaju, PT Paraga Artamida and PT Sinar Mas Tunggal are stockholders of the Company.
- b. Related parties which have the same management and stockholders, directly or indirectly, as the stockholders of the Company and its subsidiaries are as follows:
 - PT Mitrabangun Adigraha
 - PT Putra Satria Prima
 - PT Asuransi Sinar Mas
 - PT APP International Finance. Co., B.V.
 - PT Sinar Mas Agro Resources Technology Tbk (SMART)
 - PT Indah Kiat Pulp & Paper Tbk
 - PT Pabrik Kertas Tjiwi Kimia Tbk
 - Asia Food and Properties International Finance Ltd.
 - PT Supra Veritas
 - Reksa Dana Simas Satu
 - PT Ivo Mas Tunggal
 - PT Cakrawala Mega Indah
 - PT Mega Kertas Pratama
 - PT Sinar Mas Sekuritas
 - PT Sinar Mas Multifinance
 - PT Triharpindo Mandiri
 - PT Asuransi Jiwa Eka Life
 - PT Tapan Nadenggan
 - PT Sinar Mas Tunggal
 - PT Intercipta Kimia Pratama
 - PT Aldiracita Corpotama
 - PT Sinartama Gunita
 - PT Pindo Deli Pulp & Paper Mills
 - PT Praisindo Dot Kom

In 2002, PT Bank Internasional Indonesia Tbk is no longer considered as a related party.

- c. PT Matra Olahcipta, PT Duta Karya Propertindo, BKS Pasar Pagi – ITC Mangga Dua, PT Mekanusa Cipta, PT Prima Sehati, PT Anekagriya Buminusa, PT Kanaka Grahaasri and PT Putra Prabukarya are associated companies.
- d. Eka Tjipta Widjaja is a close family member of several directors and commissioners of the Company.

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36. Nature of Relationship and Transactions with Related Parties (Continued)

Transactions with Related Parties

a. This account consists of:

	Total		Percentage to Total Assets/Liabilities/ Revenues/Expenses	
	2002 Rp	2001 Rp	2002 %	2001 %
Assets				
Cash and cash equivalents				
Cash in bank				
PT Bank Internasional Indonesia Tbk	-	9,790,733,754	-	2.54
Time deposits				
Asia Food and Properties International Finance Ltd.	-	29,540,200,248	-	7.66
PT Bank Internasional Indonesia Tbk	-	7,600,000,000	-	1.97
Total	-	46,930,934,002	-	12.17
Investments in securities				
Bonds - Net				
PT Indah Kiat Pulp & Paper Tbk	79,900,000,000	79,900,000,000	96.88	97.40
Mutual fund - Reksa Dana Simas Satu - Net	2,569,917,554	2,135,000,000	3.12	2.60
Net	82,469,917,554	82,035,000,000	100.00	100.00
Investments in shares of stock				
Equity method:				
PT Matra Olahcipta	57,533,514,582	-	13.63	-
PT BKS Pasar Pagi - ITC Mangga Dua	2,400,000,000	2,400,000,000	0.57	0.66
Cost method:				
PT Kanaka Grahaasri	21,485,836,000	21,485,836,000	5.09	5.89
PT Anekagriya Buminusa	51,711,504,000	51,711,504,000	12.25	14.19
PT Mekanusa Cipta	203,769,824,000	203,769,824,000	48.28	55.90
PT Putra Prabukarya	4,090,412,000	4,090,412,000	0.97	1.12
PT Prima Sehati	81,081,212,000	81,081,212,000	19.21	22.24
Total	422,072,302,582	364,538,788,000	100.00	100.00
Trade accounts receivable				
PT Tapan Nadenggan	861,319,477	698,952,517	0.82	0.97
PT Aldiracita Corpotama	429,121,350	-	0.41	-
PT Praisindo Dotkom	315,332,036	251,220,816	0.30	0.35
PT Sinar Mas Agro Resources & Technology Tbk (SMART)	238,899,109	37,291,823	0.23	0.05
PT Indah Kiat Pulp & Paper Tbk	201,761,211	143,505,657	0.19	0.20
PT Triharpindo Mandiri	190,026,150	-	0.18	-
PT Pabrik Kertas Tjiwi Kimia Tbk	184,448,410	1,250,098,252	0.18	1.74
PT Bank Internasional Indonesia Tbk	-	2,522,887,705	-	3.51
Others	257,093,638	625,434,758	0.24	0.87
Total	2,678,001,381	5,529,391,528	2.55	7.69

36. Nature of Relationship and Transactions with Related Parties (Continued)

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Transactions with Related Parties (Continued)

	Total		Percentage to Total Assets/Liabilities/ Revenues/Expenses	
	2002 Rp	2001 Rp	2002 %	2001 %
Assets (Continued)				
Other accounts receivable				
PT Indah Kiat Pulp & Paper Tbk	4,910,829,267	4,859,814,699	57.40	40.98
PT Pabrik Kertas Tjiwi Kimia Tbk	19,674,600	6,708,220	0.23	0.06
PT Supra Veritas	2,975,000	1,820,000	0.03	0.02
PT Sinar Mas Agro Resources & Technology Tbk (SMART)	1,981,272	264,000	0.02	-
PT Tapian Nadenggan	66,000	66,000	-	-
PT Bank Internasional Indonesia Tbk	-	92,231,821	-	0.77
PT Amantara Securities	-	9,847,222	-	0.08
PT Pindo Deli Pulp & Paper Mills	-	3,596,000	-	0.03
PT Triharpindo Mandiri	-	3,300,000	-	0.03
PT Aldiracita Corpotama	-	67,860	-	-
Total	4,935,526,139	4,977,715,822	57.68	41.97
Prepaid expenses	207,070,170	-	9.92	-
Liabilities				
Loans from banks and other financial institutions				
PT Bank Internasional Indonesia Tbk	-	10,000,000,000	-	2.41
PT Asuransi Jiwa Eka Life	2,905,500,000	9,360,000,000	0.97	2.26
PT Asuransi Sinar Mas	1,937,000,000	6,240,000,000	0.65	1.51
Total	4,842,500,000	25,600,000,000	1.62	6.18
Security deposits				
PT Sinar Mas Agro Resources & Technology Tbk (SMART)	5,808,153,072	6,672,011,597	11.81	11.40
PT Indah Kiat Pulp & Paper Tbk	5,448,194,812	6,314,759,052	11.08	10.79
PT Pabrik Kertas Tjiwi Kimia Tbk	5,245,731,143	6,002,248,795	10.67	10.25
PT Pindo Deli Pulp & Paper Mills	1,222,291,949	1,393,639,744	2.49	2.38
PT Mega Kertas Pratama	1,071,716,899	1,256,061,824	2.18	2.15
PT Tapian Nadenggan	896,990,189	1,025,679,864	1.82	1.75
PT Sinar Mas Sekuritas	783,112,850	963,451,365	1.59	1.65
PT Bank Internasional Indonesia Tbk	-	17,711,397,722	-	30.26
Others (below Rp 600 million each)	3,135,968,462	3,603,922,877	6.38	6.15
Total	23,612,159,376	44,943,172,840	48.02	76.78

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36. Nature of Relationship and Transactions with Related Parties (Continued)

Transactions with Related Parties (Continued)

	Total		Percentage to Total Assets/Liabilities/ Revenues/Expenses	
	2002 Rp	2001 Rp	2002 %	2001 %
Liabilities (Continued)				
Advances received				
PT Pabrik Kertas Tjiwi Kimia Tbk	11,288,658,907	6,515,877,965	1.27	0.61
PT Indah Kiat Pulp & Paper Tbk	9,744,671,303	8,515,134,296	1.10	0.80
PT Pindo Deli Pulp & Paper Mills	2,520,261,779	2,519,693,319	0.28	0.24
PT Cakrawala Mega Indah	2,498,798,321	2,498,234,701	0.28	0.23
PT Tapan Nadenggan	558,257,625	650,992,414	0.06	0.06
PT Sinar Mas Agro Resources & Technology Tbk (SMART)	404,199,726	253,705,552	0.05	0.02
PT Bank Internasional Indonesia Tbk	-	42,897,940,465	-	4.01
PT Ivo Mas Tunggal	-	195,131,181	-	0.02
Others	1,066,135,407	1,099,209,348	0.13	0.11
Total	28,080,983,068	65,145,919,241	3.17	6.10
Revenues				
Revenues				
PT Sinar Mas Agro Resources & Technology Tbk (SMART)	23,497,764,024	24,637,162,151	1.45	2.04
PT Pabrik Kertas Tjiwi Kimia Tbk	19,168,479,307	18,607,349,835	1.18	1.54
PT Indah Kiat Pulp & Paper Tbk	18,364,305,546	15,882,834,327	1.13	1.32
PT Cakrawala Mega Indah	5,263,403,208	2,468,249,061	0.33	0.20
PT Pindo Deli Pulp & Paper Mills	4,620,119,729	4,433,783,956	0.29	0.37
PT Tapan Nadenggan	3,693,327,834	4,260,923,643	0.23	0.35
PT Ivo Mas Tunggal	935,944,168	2,063,593,879	0.06	0.17
PT Arara Abadi	823,320,810	8,215,470	0.05	-
PT LG Insurance Indonesia	822,162,295	809,023,643	0.05	0.07
PT Aldiracita Corpotama	560,584,918	1,105,945,545	0.03	0.09
PT Sinar Mas Sekuritas	431,316,151	339,983,459	0.03	0.03
PT Intercipta Kimia Pratama	268,956,729	264,952,296	0.02	0.02
PT Sinar Mas Multifinance	176,278,085	662,803,584	0.01	0.06
PT Sinartama Gunita	68,806,107	1,393,553,342	-	0.12
PT Bank Internasional Indonesia Tbk	-	32,326,391,245	-	2.68
PT Mega Kertas Pratama	-	2,180,648,398	-	0.18
Others	1,666,721,776	2,548,065,095	0.11	0.32
Total	80,361,490,687	113,993,478,929	4.97	9.56

Sale transactions with related parties were done under similar price, terms and conditions as those done with third parties.

- b. As of December 31, 2002, accrued expenses from related parties (PT Asuransi Jiwa Eka Life and PT Asuransi Sinar Mas) amounted to Rp 20,008,882 or 0.02% of the total accrued expenses (Note 19). These transactions were done under similar terms and conditions as those done with third parties.

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36. Nature of Relationship and Transactions with Related Parties (Continued)

Transactions with Related Parties (Continued)

- c. In 2002, interest income of Rp 24,534,019,045 (Note 31) or 33.78% of the total interest income was obtained from related parties (PT Indah Kiat Pulp & Paper Tbk and Asia Food and Properties International Finance Ltd.), while interest expense of Rp 470,300,344 (Note 32) or 0.31% of the total interest expense was paid to related parties (PT Asuransi Jiwa Eka Life and PT Asuransi Sinar Mas). Interest income and interest expense obtained and paid to related parties were done under similar terms and conditions as those done with third parties.
- d. In 2002 and 2001, the Company engaged PT Mitrabangun Adigraha to construct houses and shophouses on their behalf, for a fee of Rp 22,587,823,151 and Rp 9,110,134,606, respectively. On the other hand, PT Paraga Artamida and PT Putra Satria Prima were engaged to provide structural design services and project supervision services with total charges capitalized to real estate inventories amounting to Rp 35,170,000,000 and Rp 1,436,990,000, respectively, in 2002 and Rp 1,975,000,000 and Rp 1,212,687,500, respectively, in 2001 (Note 7).
- e. As of December 31, 2002 and 2001, the Company and its subsidiaries insured their assets (inventories and property and equipment) with PT Asuransi Sinar Mas, with insurance premium payments representing 97.09% and 91.43%, respectively, of the total insurance premiums paid. The transaction was done under similar terms and conditions as those done with third parties (Notes 7 and 12).
- f. As of December 31, 2002 and 2001, certain loans from banks and other financial institutions (Note 15) and bonds payable issued (Note 16) were secured by corporate guarantees from PT Sinar Mas, PT Paraga Artamida and the Company.
- g. Syndicated loan from PT Bank Mizuho Indonesia (formerly PT Fuji Bank Internasional Indonesia) is secured by corporate guarantees from PT Sinar Mas Tunggal, PT Supra Veritas, PT Paraga Artamida, and a personal guarantee from Eka Tjipta Widjaja (Note 15).
- h. 10.20% and 11.54% of salaries, wages and employees' benefits were distributed to the boards of commissioners and directors of the Company in 2002 and 2001, respectively.

37. Monetary Assets and Liabilities Denominated in Foreign Currencies

At December 31, 2002 and 2001, the Company and its subsidiaries had monetary assets and liabilities in foreign currencies which are as follows:

		2002		2001	
		Foreign Currencies	Equivalent in Rp'000 *)	Foreign Currencies	Equivalent in Rp'000 *)
Assets					
Cash and cash equivalents					
Related parties	US\$	-	-	2,850,263	29,642,733
Third parties	US\$	6,666,643	59,599,787	11,754,927	122,251,247
	Yen	671,702	50,644	63,401,667	5,018,242
Trade accounts receivable					
Related parties	US\$	159,912	1,429,613	-	-
Third parties	US\$	1,477	13,204	-	-
Other accounts receivable					
Related parties	US\$	7,000	62,580	-	-
Third parties	US\$	287	2,566	-	-
Prepaid expenses					
Related parties	US\$	22,869	204,452	-	-
Total Assets			61,362,846		156,912,222

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37. Monetary Assets and Liabilities Denominated in Foreign Currencies (Continued)

		2002		2001	
		Foreign Currencies	Equivalent in Rp'000 *)	Foreign Currencies	Equivalent in Rp'000 *)
Liabilities					
Loans from banks and other financial institutions					
Related parties	US\$	541,667	4,842,500	1,500,000	15,600,000
Third parties	US\$	11,035,094	98,653,741	22,176,760	230,638,312
Security deposits					
Related parties	US\$	2,225,336	19,894,504	-	-
Third parties	US\$	1,976,700	17,671,697	4,254,317	44,244,906
Advances received					
Third parties	US\$	4,147,493	37,078,586	-	-
Accrued expenses					
Related parties	US\$	2,238	20,009	-	-
Third parties	US\$	56,430	504,479	50,531	525,525
Total Liabilities			<u>178,665,516</u>		<u>291,008,743</u>
Net Liabilities			<u>(117,302,670)</u>		<u>(134,096,521)</u>

*) Balances in Rupiah equivalent were recorded using the conversion rates at balance sheet dates (Note 2.c).

38. Commitments

- a. The Company and its subsidiaries entered into certain agreements with several contractors for the development of real estate projects.
- b. On June 14, 1993, the Company entered into a Build, Operate and Transfer (BOT) agreement with the Tenants Association - ITC Mangga Dua, to build a movie theater and a discotheque located in ITC Mangga Dua. The Company will have the right to operate these buildings for a period of 30 years from the signing of the agreement. During the term of the BOT, the Company can rent out these buildings to other parties. At the end of the term, the ownership of the building will be transferred to the Tenants Association – ITC Mangga Dua. Based on the agreement between the Company and a third party dated October 4, 2001, the third party granted an approval to the Company to demolish the movie theater and discotheque.
- c. On May 6, 1994, PT Sinarwisata Permai, a subsidiary, entered into certain agreements in relation to the operations of Dusit Balikpapan, as follows:
 1. A "Management Agreement" with Pacific Hotels and Resorts B.V., Netherlands, wherein the subsidiary will pay management fees based on a certain percentage of the gross profit from operations.
 2. A "Licensing Agreement" with Dusit Systems B.V., Netherlands, wherein the subsidiary will pay licensing and royalty fees of 1.5 % of the gross revenues of the hotel.

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38. Commitments (Continued)

3. An "International Marketing and Reservation Services Agreement" with Dusit Promotion N.V., Netherlands, wherein the subsidiary will pay certain fees for reservation and international marketing services of 1.5% of the hotel rooms' revenues.

Based on the agreement dated September 14, 2001, the Company, as a stockholder of the subsidiary, terminated the operations agreement of Dusit Balikpapan Hotel with Dusit Thani Public Company Ltd., the owner of the name of Dusit Balikpapan Hotel. However, the subsidiary still has to pay licensing fee for using the name of "Dusit". This agreement is effective starting January 1, 2002.

- d. On February 9, 1996, PT Sinarwisata Lestari, a subsidiary, entered into the following agreements for the operations of Dusit Mangga Dua Hotel, Jakarta:
 - 1) A "Management Agreement" with Pacific Hotels and Resorts, B.V., Netherlands, wherein the subsidiary has to pay management fees based on a certain percentage of the gross profit from operations.
 - 2) A "Licensing Agreement" with Dusit Systems B.V., Netherlands, wherein the subsidiary has to pay royalty and licensing fees of 1.5% of gross revenues of the hotel.
 - 3) An "International Marketing And Reservation Services Agreement" with Dusit Promotions N.V., Netherlands, wherein the subsidiary has to pay fees of 1.5% of hotel rooms' revenues.

Based on an agreement dated September 14, 2001, the Company as a stockholder of the subsidiary, terminated the operations agreement of Dusit Mangga Dua Hotel with Dusit Thani Public Company Ltd., the owner of the name of Dusit Mangga Dua Hotel. However, the subsidiary still has to pay licensing fee for using the name of "Dusit". This agreement is effective starting January 1, 2002.

- e. On January 15, 1993, the Company signed a joint operations agreement to build, operate, and transfer (BOT) with PT Sinarwisata Lestari, a subsidiary, to build and manage the hotel building and its supporting tools which will be developed in Jalan Mangga Dua, Jakarta. This agreement is valid for 20 years starting on the date when the hotel started its commercial operations.

At the end of the BOT period, the subsidiary will transfer the hotel to the Company.

- f. On September 13, 1999, the Company signed a joint operations agreement to build, operate, and transfer (BOT), with a local government (Pemda) in Jakarta, to build a bridge totaling 4,199 square meters, including its shop facility of 141 units or 1,527 square meters, which will connect ITC Mangga Dua building and Mall Mangga Dua building. This agreement is valid for 30 years starting from the date when the bridge is ready for use.

During the BOT period, the Company can rent out its shop facility to third parties. At the end of the BOT period, the Company will transfer the bridge and the shop facility to Pemda, Jakarta.

- g. On October 8, 1999, the Company signed a joint operations agreement "Badan Kerja Sama" (BKS Pasar Pagi – ITC Mangga Dua) with PT Praja Puri Indah Real Estate, Robin and Adhi Hermanto (representatives of the association of tenants of ITC Mangga Dua) to build a bridge, including shop facility, which will connect the Pasar Pagi Mangga Dua building and ITC Mangga Dua building.

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38. Commitments (Continued)

- h. On May 23, 2002, the Company entered into an agreement with PT Matra Olahcipta (MOC), associated company, based on Agreement No. 65 of Buntario Tigris Darmawa Ng, S.H., S.E., notary in Jakarta. The purpose of the agreement is to build a shopping center, with or without residential areas, and other facilities on MOC's land, with total area of about 37,060 square meters, located in Jalan Arteri Permata Hijau, South Jakarta. The Company will fund the project and will do marketing and sales of the project to other parties. The Company owns 50% of the authorized and paid-up capital of MOC.

The Company and other stockholders of MOC agreed that project management will be performed jointly by both parties through establishment of a project committee consisting of representatives from both parties.

Profits and losses arising from selling activities will be for MOC's account and the priority of disbursement will be determined based on the joint agreement.

39. Segment Information

Primary Segment

Segment information is presented in business divisions based on the businesses of the Company and its subsidiaries, namely, real estate, property, hotel and information technology. The business divisions are used as the basis of reporting primary segment information.

The Company and its subsidiaries' primary segment information is presented as follows:

	2002					
	Real estate Rp	Property Rp	Hotel Rp	Information Technology Rp	Elimination Rp	Consolidated Rp
Revenues						
Revenues from external parties	1,393,920,212,897	141,248,913,025	83,244,192,433	-	-	1,618,413,318,355
Segment results						
Segment gross profit	607,444,642,665	141,248,913,025	53,611,093,248	-	-	802,304,648,938
Income from operations	218,432,944,299	102,561,188,353	8,924,592,981	-	29,685,454,491	359,604,180,124
Interest expense	(117,379,539,999)	(5,695,636,390)	(33,553,358,856)	-	6,258,475,615	(150,370,059,630)
Equity in net loss of associated companies	(2,466,485,418)	-	-	-	-	(2,466,485,418)
Other income	241,333,943,833	55,499,488,771	38,825,819,807	6,017,375	(225,605,475,615)	110,059,794,171
Income before tax	339,920,862,715	152,365,040,734	14,197,053,932	6,017,375	(189,661,545,509)	316,827,429,247
Tax expense	(20,997,463,472)	(9,147,062,714)	-	-	-	(30,144,526,186)
Income before minority interest in net income of the subsidiaries	318,923,399,243	143,217,978,020	14,197,053,932	6,017,375	(189,661,545,509)	286,682,903,061
Extraordinary item	-	-	35,774,217,089	-	-	35,774,217,089
Minority interest in net income of the subsidiaries	-	-	-	-	(41,193,687,721)	(41,193,687,721)
Net income	318,923,399,243	143,217,978,020	49,971,271,021	6,017,375	(230,855,233,230)	281,263,432,429

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39. Segment Information (Continued)

Primary Segment (Continued)

	2002					
	Real Estate	Property	Hotel	Information	Elimination	Consolidated
	Rp	Rp	Rp	Technology	Rp	Rp
Segment Assets	3,916,515,728,930	820,045,368,740	212,113,303,067	85,263,836	(1,306,505,701,625)	3,642,253,962,948
Investments in shares of stock of associated companies	59,933,514,582	-	-	-	-	59,933,514,582
Total Assets	3,976,449,243,512	820,045,368,740	212,113,303,067	85,263,836	(1,306,505,701,625)	3,702,187,477,530
Segment Liabilities	1,918,702,315,776	166,185,257,224	246,195,246,467	-	(305,412,172,249)	2,025,670,647,218
Depreciation						30,636,277,051
Other noncash expenses excluding depreciation						8,192,543,087
Cash flows from operating activities						
Cash receipts from customers						1,592,674,138,336
Cash paid to contractors, suppliers, and others						(711,989,227,117)
Others						(637,829,503,707)
Total						242,855,407,512
Cash flows from investing activities						
Proceeds from sale of property and equipment						617,260,500
Acquisitions of property and equipment						(10,057,324,618)
Others						133,590,628,791
Total						124,150,564,673
Cash flows from financing activities						
Payment of loans from banks and other financial institutions and bonds payable						(383,693,108,080)
Others						(153,854,254,699)
Total						(537,547,362,779)

	2001					
	Real Estate	Property	Hotel	Information	Elimination	Consolidated
	Rp	Rp	Rp	Technology	Rp	Rp
				Rp		
Revenues						
Revenues from external parties	993,864,121,961	143,681,791,033	67,522,201,420	-	-	1,205,068,114,414
Segment results						
Segment gross profit	383,121,672,706	143,681,791,033	44,449,122,690	-	-	571,252,586,429
Income from operations	125,233,459,597	107,938,515,103	11,496,530,130	-	-	244,668,504,830
Interest expense	(59,594,074,678)	(17,905,090,813)	(30,686,783,159)	-	-	(108,185,948,650)
Equity in net loss of associated companies	(6,264,000,000)	-	-	-	-	(6,264,000,000)
Other income (charges) - net	(52,390,939,254)	(46,110,584,391)	(948,243,928)	6,062,464	13,350,640,903	(86,093,064,206)
Income (loss) before tax	6,984,445,665	43,922,839,899	(20,138,496,957)	6,062,464	13,350,640,903	44,125,491,974
Tax expense	(9,599,830,830)	(9,303,091,670)	-	-	-	(18,902,922,500)
Income before minority interest in net loss of the subsidiaries	(2,615,385,165)	34,619,748,229	(20,138,496,957)	6,062,464	13,350,640,903	25,222,569,474
Minority interest in net loss of the subsidiaries	-	-	-	-	16,730,011,651	16,730,011,651
Net income (loss)	(2,615,385,165)	34,619,748,229	(20,138,496,957)	6,062,464	30,080,652,554	41,952,581,125

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39. Segment Information (Continued)

Primary Segment (Continued)

	2001					
	Real Estate	Property	Hotel	Information	Elimination	Consolidated
	Rp	Rp	Rp	Technology	Rp	Rp
	Rp			Rp		
Segment Assets	4,055,675,346,550	836,009,871,893	222,104,479,338	79,246,461	(1,352,497,618,686)	3,761,371,325,556
Investments in shares of stock of an associated company	2,400,000,000	-	-	-	-	2,400,000,000
Total Assets	4,058,075,346,550	836,009,871,893	222,104,479,338	79,246,461	(1,352,497,618,686)	3,763,771,325,556
Segment Liabilities	2,242,475,113,770	325,495,065,951	306,157,693,759	-	(463,511,930,532)	2,410,615,942,948
Depreciation						27,827,998,129
Other noncash expenses excluding depreciation						157,174,734,171
Cash flows from operating activities						
Cash receipts from customers						1,702,919,422,912
Cash paid to contractors, suppliers, and others						(633,385,195,971)
Others						(432,299,169,240)
Total						637,235,057,701
Cash flows from investing activities						
Proceeds from sale of property and equipment						(2,789,211,242)
Others						34,925,283,060
Total						32,136,071,818
Cash flows from financing activities						
Payment of loans from banks and other financial institutions and bonds payable						(469,957,551,007)
Others						(164,485,157,576)
Total						(634,442,708,583)

Secondary Segment

The secondary segment of the Company and its subsidiaries is presented based on geographical segment information which is based on assets' location or location of business operations.

Secondary segment information based on geographical location is presented as follows:

	2002 Rp	2001 Rp
Revenues from external parties		
Jakarta	1,571,143,552,222	1,165,068,280,532
Surabaya	4,758,878,325	3,959,641,702
Balikpapan	<u>42,510,887,808</u>	<u>36,040,192,180</u>
Consolidated Revenues	<u>1,618,413,318,355</u>	<u>1,205,068,114,414</u>
Segment assets		
Jakarta	4,894,275,996,936	5,002,354,831,709
Surabaya	39,412,319,149	37,165,529,686
Balikpapan	<u>75,004,863,070</u>	<u>76,748,582,847</u>
Total before elimination	5,008,693,179,155	5,116,268,944,242
Elimination	<u>(1,306,505,701,625)</u>	<u>(1,352,497,618,686)</u>
Consolidated Assets	<u>3,702,187,477,530</u>	<u>3,763,771,325,556</u>

40. Economic Condition

The economic condition in Indonesia has not yet recovered since the economic crisis in 1997 and has been affected by the world's economic condition. The slowdown of economic recovery in Indonesia has resulted to extreme lack of liquidity, limited loan availability, and highly volatile foreign exchange rates against the Rupiah currency, high unemployment rate and limited investments from foreign investors. This crisis also involved stoppage or postponement of certain construction projects and oversupply of properties.

In response to the unstable economic condition, the Company and its subsidiaries continue to be prudent in their management and operations, by implementing the following measures:

- a. Restructured the loans obtained from PT Bank Rakyat Indonesia (Persero) by PT Sinarwisata Lestari (a subsidiary) on November 28, 2002, and continue with the restructuring of loans obtained from PT Bank Internasional Indonesia Tbk and PT Bank Danamon Tbk by PT Sinarwijaya Ekapratista (a subsidiary) which were already transferred to the Indonesian Bank Restructuring Agency (IBRA).
- b. Restructured the payment of DP II bonds amounting to Rp 500 billion which were due on April 17, 2002 and DP III bonds amounting to Rp 350 billion which were due on August 4, 2002, whose maturity were rescheduled until 2005, based on the extraordinary meeting of the bondholders on June 17, 2002.
- c. Conduct a comprehensive monitoring of the Company and its subsidiaries projects that are on-going as well as those still in the planning stage, whether for construction, financing or marketing and sales, to preserve and sustain continuity of development activities and ability to generate revenues.
- d. Implement a cost saving program through increased efficiency for all its resources.
- e. Enhance the revenues of the Company and its subsidiaries by adopting and implementing various marketing strategies, among others, in the hotel business, fixing of hotel room rates in Rupiah currency for Indonesian citizens and residents, fixed Rupiah rates on leasing out office spaces and shops, and by providing various installment schemes for sales of real estate properties that are attractive to customers.

Recovery of the economy to a sound and stable condition is dependent on the fiscal and monetary measures being taken by the government, actions which are beyond the Company and its subsidiaries' control to achieve economic recovery. It is not possible to determine the future effect the economic condition may have on the Company and its subsidiaries' liquidity and earnings, including the effect flowing through to and from the Company and its subsidiaries' investors, customers and suppliers.

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41. Reclassification of Accounts

Some accounts in the 2001 consolidated financial statements were reclassified to conform with the financial statement presentation of the 2002 consolidated financial statements, based on the Notice of Bapepam No. SE-02/PM/2002 dated December 27, 2002. Following is a summary of the significant accounts in the 2001 consolidated financial statements before and after the reclassifications made:

	After Reclassification Rp	Before Reclassification Rp
Assets		
Investments in securities	-	82,624,087,800
Investments	446,573,788,000	-
Other accounts receivable	11,859,138,188	3,833,820,415
Supplies	418,669,958	-
Inventories	1,126,477,021,653	5,550,356,879
Accrued income	-	8,025,317,773
Real estate assets	-	1,986,905,850,356
Investments in shares of stock	-	364,538,788,000
Land for development	865,560,515,624	-
Other assets	2,681,935,661	2,092,847,861
Liabilities		
Security deposits	58,537,618,059	-
Advances received	1,068,552,673,958	-
Advances received and security deposits	-	1,127,090,292,017

The above reclassifications did not affect the consolidated statements of income and consolidated statements of changes in equity of the Company and its subsidiaries.
